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World Business Newspaper http://www.FT.com TUESDAY OCTOBER 22 1996

Yeltsin rebuffed in regional poll

Formerly imprisoned rival wins 79% of Kursk vote

By John Thornhill in Moscow

The 1m voters of Kursk have delivered a stinging rebuff to Russian President Boris Yeltsin by electing his arch-enemy, Mr Alexander Rutskoi, as governor of the western Russian region with 79 per cent of the vote.

The victory comes as a personal triumph for Mr Rutskoi, the former vice-president, who led the abortive armed uprising against Mr Yeltsin in October 1993 and was subsequently disgraced and imprisoned.

Although barred from campaigning until two days before the poll because of a registration dispute, Mr Rutskoi still won overwhelming support in the strongly communist and nationalist region.

Mr Vasily Shuteyev, appointed governor of Kursk by Mr Yeltsin in 1991, won just 18 per cent of the vote despite dominating the local media.

Mr Rutskoi will join a strengthened cohort of opposition nationalists in the upper house of parliament which may attempt to frustrate the legislative programme. But he may have little time for national politics since he faces a stiff challenge in trying to revive the economic fortunes of his hard-pressed region on the Ukrainian border.

There were varied election results from other Russian regions yesterday with an opposition candidate winning in Kirov region while the pro-Yeltsin governor of Sakhalin island was returned to office.

In spite of the political divisions opened up by the series of regional elections, Mr Yeltsin yesterday sought to promote a sense of national unity before he enters hospital for heart surgery, scheduled for mid-November.

In a meeting with Mr Gennady Seleznyev, the Communist speaker of the lower house of parliament, Mr Yeltsin proposed creating a consultative council to smooth over the differences between the government and parliament, although he did not spell out its responsibilities.

"We cannot at this time have people running off in different directions and everyone trying to solve problems on their own," Mr Yeltsin said in an apparent rebuke to Mr Alexander Lebed, his controversial national security chief who was sacked last week.

Presidential aides suggested the council would consist of Mr Victor Chernomyrdin, the prime minister, Mr Anatoly Chubais, the head of the presidential administration, and the left-leaning speakers of the two houses of parliament.

Mr Gennady Zyuganov, the Communist party leader who currently heads the parliamentary opposition, has adopted a conciliatory stance in recent weeks, frequently meeting the prime minister to try to reconcile their differences.

But in an interview on Sunday, Mr Zyuganov suggested his defeat in July's presidential elections was a tactical retreat rather than a loss. "We are now like Kutuzov who surrendered Moscow," he said, referring to the legendary Russian general who defeated Napoleon. "We are waiting for the winter frosts, waiting for the cold winter to sap the energy of our opponents."

Alexander Rutskoi: will join nationalists in parliament

Norsk Hydro sees sharp profits fall in third quarter

Norway's biggest listed industrial conglomerate Norsk Hydro reported a sharp drop in earnings in the third quarter after setbacks in its metals, petrochemicals and fertiliser divisions. Pre-tax profits fell to NKr2.3bn from NKr2.7bn ($415m) during the same period last year. Page 15

Disneyland Paris head promoted: Walt Disney has promoted the head of its Disneyland Paris theme park to the position of an executive vice-president with responsibility for co-ordinating the group's activities across Europe. Page 16

Landsbergis claims election victory: Lithuanian independence fighter Vytautas Landsbergis claimed victory for his conservative Homeland Union in Sunday's elections. Page 2

Finnish PM dismisses election blow: Finland's prime minister Paavo Lipponen shrugged off Eurosceptic gains in elections to the European parliament, saying his government would continue to prepare Finland to join the planned European monetary union. Page 3

Call for EU industry aid overhaul: European Union governments will face demands next month to consider an overhaul of the rules covering state aid for industry. Page 2

Australia approves uranium sales: Australia lifted its ban on new contracts for the supply of uranium to France, imposed in September last year, when the controversy over France's testing of nuclear weapons in the South Pacific was at its height. Page 5

US oil groups exceed forecasts: Disappointing results from Mobil marred upbeat quarterly reports from leading US oil groups Chevron, Texaco, Amoco and Exxon, which all exceeded analysts' forecasts. Page 19

Apec backs IT subsidy plan: The 18-member Asia Pacific Economic Co-operation forum has agreed to back a a US proposal to eliminate tariffs on information technology products by 2000 at the World Trade Organisation meeting in Singapore in December. Page 5

Afghan peace talks proposed: The Organisation of Islamic Conference proposed a truce in Afghanistan followed by talks in Saudi Arabia as a spokesman for the ousted government of Ahmed Shah Masood said ceasefire negotiations had failed. Game goes another round, Page 6

US softens on telecoms deal: The chances of a global deal to open up telecommunications improved after the US satellite communications industry softened its opposition to the plan. Page 5

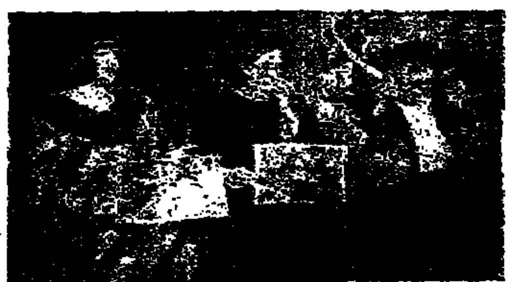
Egypt calls for higher debt rating: Egyptian minister of state for economic affairs Youssef Boutros-Ghali claimed the country deserved a higher sovereign debt rating than the Ba2 recently assigned by Moody's. Page 6

IBM earnings at $18bn: International Business Machines reported earnings of $18.1bn for the third quarter, an 8 per cent increase from $16.7bn same period last year. Page 14

Thousands flee fighting in Zaire: Up to 250,000 people were fleeing bitter fighting between the Zairean army and an isolated community of Tutsis in eastern Zaire. Page 6

Chirac in Israel: French President Jacques Chirac arrived in Israel to a cool welcome from a government that has rejected his bid for a European role in the Middle East peace process.

Plea by family of Kashmiri hostage



The family of British hostage Keith Mangan – being held by Kashmiri separatist rebels – appeal (above) in Srinagar, India, for his release. Mr Mangan, another Briton, a German and an American were abducted 15 months ago while trekking in the Himalayas.

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■ STOCK MARKET INDICES		
New York lunchtime		
Dow Jones Ind Av	6,116.96	(+22.73)
NASDAQ Composite	1,248.63	(+6.15)
Europe and Far East		
CAC40	2,180.22	(-5.01)
DAX	2,729.03	(-5.79)
FTSE 100	4,073.1	(+20.0)
Nikkei	21,302.95	(-309.35)

■ US LUNCHTIME RATES	
Federal Funds	$5\frac{3}{16}$%
3-mth Treas Bills: Yld	5.11%
Long Bond	$98\frac{15}{32}$
Yield	6.781%

■ OTHER RATES		
UK: 3-mo Interbank	6%	(same)
UK: 10 yr Gilt	$99\frac{5}{16}$	($99\frac{13}{32}$)
France: 10 yr OAT	103.96	(104.10)
Germany: 10 yr Bund	101.81	(101.85)
Japan: 10 yr JGB	101.8322	(101.392)

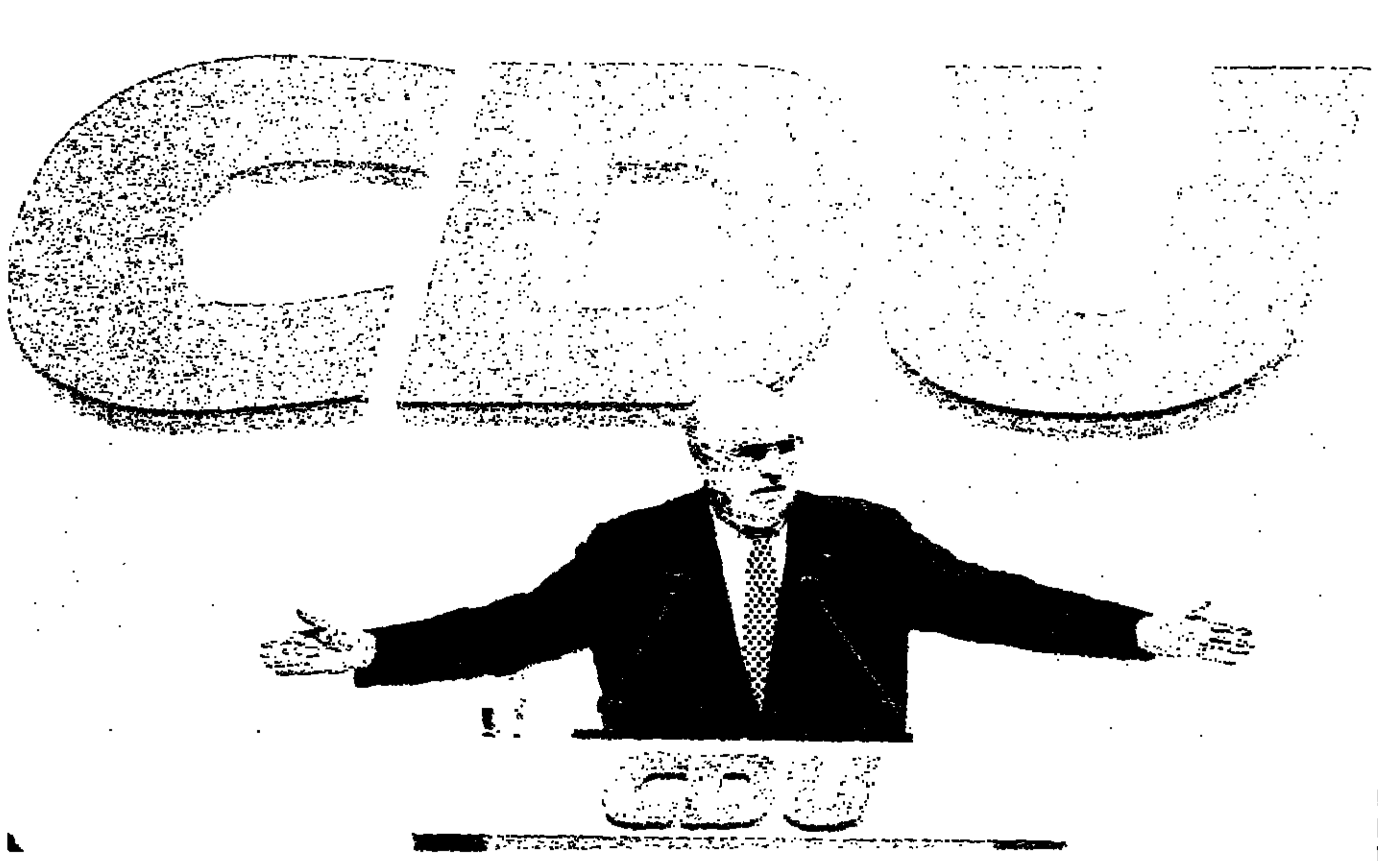
■ NORTH SEA OIL (Argus)		
Brent Dated	$25.12	(25.18)

■ GOLD		
New York: Comex		
(Dec)	$383.9	(382.1)
London:		
close	$381.80	(380.25)

■ DOLLAR		
New York lunchtime		
£	1.58295	
DM	1.53515	
FFr	5.1888	
SFr	1.26395	
Y	112.745	
London:		
£	1.5905	(1.5911)
DM	1.5362	(1.543)
FFr	5.1908	(5.213)
SFr	1.2645	(1.2729)
Y	112.735	(112.575)
Tokyo close:	Y 112.685	

■ STERLING		
DM	2.4433	(2.455)

Albania	LEK 275	Gibraltar	£0.75	Lithuania	Lts 18.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR13
Bahrain	Din1.300	Hong Kong	HK$20	Malta	Lm0.70	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft270	Morocco	MDh18	Slovak Rp	Sk75
Cyprus	C£1.30	Iceland	IKr260	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp	Kc70	India	Rs75	Nigeria	Naira125	Spain	Pta250
Denmark	DKr20	Israel	Shk9.00	Norway	NKr22.00	Sweden	SKr20
Egypt	E£5.00	Italy	L3200	Oman	OR1.75	Switz	SFr3.70
Estonia	EKr 28	Japan	Y500	Pakistan	Rs50	Syria	S£80.00
Finland	FM18.00	Jordan	JD1.75	Poland	Zl 6.00	Tunisia	Din2.000
France	FFr12.00	Kuwait	Fils.750	Portugal (m'land)	Es265	Turkey	L120,000
Germany	DM4.00	Lebanon	LL3500			UAE	Dh13.00



Kohl makes admission on unemployment

German chancellor Helmut Kohl makes his keynote address to the annual congress of his ruling Christian Democratic Union in Hanover. He acknowledged that he was unlikely to realise his ambition of halving unemployment by the year 2000.

In spite of his comment on unemployment, Mr Kohl received a standing ovation from the 1,000 delegates which lasted nearly two minutes – lengthy by German standards and an indication of his prestige as he heads towards being the longest-serving German leader since world war two.

Voicing concerns that were taken up by several delegates, the chancellor also called for improvements in the German educational system, noting that 10 per cent of school-leavers had no qualification.

He said Germany needed a business climate that would encourage young entrepreneurs. Report, Page 14 Picture: Reuters

Telekom price surges on grey market trading

By Michael Lindemann in Bonn

The price of Deutsche Telekom shares surged to DM39 in the unofficial "grey" market yesterday just minutes after the company published an official price range of between DM25 and DM30 for its forthcoming initial public offering. By the end of the day, they were still being quoted at around DM35.

The strong early demand suggests that Deutsche Telekom and its bankers will set a final price at the top end of the DM25 to DM30 range for Europe's largest ever flotation. This would enable the company to raise close to the DM15bn ($10bn) it sought for the 500m new shares on offer.

Uto Baader, a brokerage in Munich, said the shares were trading yesterday between DM37 and DM39, while Ballmaier & Schulz, a Frankfurt broker, said prices were between DM38 and DM38.5. The share price settled at around DM35 at the close of trading, dealers said.

Mr Joachim Kröske, Deutsche Telekom's finance director, reacted cautiously to the burst of activity on the grey market. "I can't take that seriously," he said, shortly after a press conference in Bonn at which the company announced the official price range.

The final price will be set on November 17 once Deutsche Bank, Dresdner Bank and Goldman Sachs, the US investment bank, have assessed more precisely the demand for the issue. Deutsche Telekom shares will be listed on stock exchanges around the world a day later.

Grey markets are often created in new equity issues before they officially come to the market. Dealers trade the right to own the paper. Those

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Deutsche Telekom

A comprehensive investors' guide to Europe's largest ever initial public offering. In tomorrow's FT

Lawyers draw up ethics code on genetics

By Robert Rice, Legal Correspondent, in Berlin

International lawyers have drawn up guidelines aimed at establishing minimum legal standards for the use of human genetic information.

The medicine and law committee of the International Bar Association has developed an international convention which will be presented to the United Nations next June. The convention, which is unlikely to face significant alteration, will come into force once it has been ratified by five states.

It outlaws discrimination on the basis of genetic characteristics and the use of genetic technology to prevent births within any group of humans genetically predisposed to conditions such as sickle-cell anaemia or Down's syndrome.

IBA lawyers have been working on a draft treaty for almost five years at the request of the Human Genome Organisation (Hugo), a worldwide co-operative of scientists working on unveiling the information attached to human genes. The draft was

Continued on Page 14

Japanese bond futures soar after LDP's poll gains

By William Dawkins in Tokyo and Richard Adams in London

Japanese government bond yields fell and bond futures contracts soared to an all-time high in Tokyo yesterday in the wake of Sunday's national elections.

The December bond futures contract rose sharply to a record high of 123.70 in Tokyo before settling at 123.58. Traders in London said the surge was caused by a combination of buying by overseas investors, who had sold Japanese bonds just before the election, and a move by Japanese domestic investors out of the equities market into government debt.

Mr Brendan Brown, head of research at Tokyo-Mitsubishi Bank in London, said the market saw the election gains for the ruling Liberal Democratic party as the end of attempts to kick-start the Japanese economy with tax cuts.

"That means fiscal deflation now goes ahead," he said.

Futures trading yesterday at the London international futures exchange (Liffe) saw the December contract continue to rise after the Tokyo close to 123.65, up by 0.66 from Liffe's notional December contract of 122.99 on Friday.

In the cash market, the yield on the benchmark 182nd 10-year bond tumbled 8 basis points, from 2.81 on Friday to 2.73 yesterday.

Several overseas hedge funds were said to have sold bonds and bought futures contracts on the Nikkei stock market index to protect against an election upset for the LDP.

Other institutions had delayed buying bonds until after the election, including some central banks and international index funds.

Stock market investors shared in the gloomy assessment of the election result. The Nikkei 225 index fell 309.35 points, or 1.43 per cent, to 21,302.95.

The LDP yesterday called on its two partners in the outgoing government coalition to regroup in a new administration after Sunday's general election. While the LDP gained seats, it fell just short of a parliamentary majority.

Mr Ryutaro Hashimoto, the conservative prime minister, said he wanted to maintain a

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Paris may act to help banks

By Andrew Jack in Paris

The French government is considering a series of wide-ranging measures designed to reduce the competitive distortions affecting its struggling commercial banking sector.

Mr Jean Arthuis, minister of finance and economics, said in an interview in the financial newspaper Agefi yesterday that he was examining several initiatives to improve the profitability of French banks to bring it more in line with that of their European rivals.

He said he was looking at changes to the legal framework and special privileges granted to financial institutions linked to the state in an effort to reduce the "handicaps" the commercial banks faced.

Civil servants have hinted in private at the possibility of reform, but Mr Arthuis's comments mark a step forward in the apparent willingness of the government to bring about change.

He hinted that he might modify the legal status and current lack of obligation to pay dividends by "certain" institutions, in a reference to the mutual banking sector, the Post Office and the Caisse d'Epargne savings bank network.

Mr Arthuis said he wanted to change the strict 1937 decree governing employee rights for commercial banks, which severely restricts their ability to making working hours more flexible.

He also wanted to study in detail changes to the tax system, which imposes payroll and expenses charges on banks not levied on other companies.

'Too many car dealers in Europe'

By John Griffiths in London

Western Europe's population of 100,000 car dealers is unsustainable; it will have to be culled if it is to approach efficiency levels in the US – where cars are much cheaper – according to one of the industry's leading retailing and distribution consultancies.

The new research into a sector with estimated total sales of £233bn ($363bn) last year, including used cars and parts, shows that the region currently has 49,300 main dealers, selling on average 266 cars each a year. This compares with a US average of 674 new cars per dealer outlet.

Europe also has 50,700 smaller, indirect dealers – supplied by main dealers – reducing the average number of sales per outlet to 142. In the US, sub-dealers do not exist, the Harbour Wade Brown partnership points out in its latest study of vehicle distribution and retailing in western Europe.

The biggest problem areas are France, with 13,331 sub-dealers, Italy with 7,247 and Spain with 5,228; many of these are family businesses selling a handful of cars a year. The research identifies the UK as by far the most efficient of the European markets, measured by sales per outlet, with 285 sales per unit last year.

European Car Distribution Handbook 1996. Harbour Wade Brown, 9 Smith St, Warwick CV34 4JA, UK; £495.

Conservatives beat ex-Communists in Lithuania election

By Matthew Kaminski in Vilnius

Mr Vytautas Landsbergis, the Lithuanian independence fighter, yesterday claimed victory for his conservative Homeland Union in Sunday's parliamentary elections.

The triumph over the governing Lithuanian Democratic Labour party avenges a bitter defeat for Mr Landsbergis: in 1992 the LDLP became the first party of former Communists to take power in central Europe when it ousted his Sajudis movement, which led the country in its first year of independence.

The conservatives are likely to try to form a coalition government when all the 141 seats in parliament are filled next month. Seventy seats are decided by proportional representation, the others by the first-past-the-post system, with a run-off on November 10 in seats where no candidate wins more than 50 per cent of the vote in the first round.

With a third of the votes counted, the Homeland Union led with 26.4 per cent. The LDLP was far behind at 9.8 per cent. Several other parties last night hovered near the 5 per cent mark needed to get into parliament. This included a potential coalition partner for Homeland, the centre-right Christian Democratic Union.

Voter apathy reflected in 55% turnout

But the turnout – at 55 per cent – was the lowest in the three elections held in Lithuania since independence, reflecting considerable voter apathy.

The win for the Homeland Union followed a campaign in which it painted the LDLP as the party of the new economic elites that profited from insider deals while the rest of the country suffered during the tough times.

Voters expressed dissatisfaction with low wages and high unemployment amid evident concern that Lithuania might be falling behind its neighbours economically.

Analysts in Vilnius, the capital, expect a conservative coalition will put more restrictions on privatisation. The Homeland Union also dislikes the independent currency board, which pegs the litas against the dollar.

Mr Landsbergis yesterday did not back down from the more populist campaign promises that have worried investors.

He said Mr Gediminas Vagnorius, who wrote the party's controversial economic platform, would be its prime ministerial candidate.

But few drastic changes are expected immediately. "Mr Landsbergis might be called a radical in his rhetoric," a diplomat said, "but in his actions he's quite pragmatic."

The currency board cannot be tampered with in the next year without the approval of the International Monetary Fund, which underwrites the country's budget deficit.

Mr Algirdas Brazauskas, the president, who is allied with the LDLP, will stay in office until 1998, and represents continuity on economic reform.

His party backs Lithuanian membership of the European Union, despite reservations about the required economic reforms. It recently helped ratify the European accords that permit foreigners to buy land, which had long been anathema for the right.

Victorious party leader Vytautas Landsbergis yesterday: avenging 1992's bitter defeat AP

Irish seek reform of EU aid rules

By Stefan Wagstyl, Industrial Editor

European Union governments will face demands next month to consider a far-reaching overhaul of the rules covering state aid for industry. The Union's Irish presidency is planning to put forward proposals for tightening the regulations, following a surge in the volume of aid and an increase in disputes over awards.

The move comes in the wake of arguments over subsidies paid to companies investing in East Germany, including the shipbuilder Bremer Vulkan, the carmaker Volkswagen, and Sket, the former East German flagship engineering group which went bankrupt this month.

The Irish initiative has considerable support from European Commission officials supervising state aid, who feel they are being swamped by a mounting workload of disputed cases.

'User-friendly' integrated aid rule book urged

Irish officials are pressing for EU industry ministers to commit themselves to reforming the system at a council meeting next month. They say in a paper that Europe cannot afford the present high levels of aid if it is to remain competitive and reduce unemployment.

"The central imperatives of growth, competitiveness and employment require new thinking on the control of state aid," says the paper, which argues that cutting aid is consistent with the efforts countries are making to reduce public spending in advance of monetary union.

Reducing assistance for industry, which is running at about Ecu30bn ($38bn) a year, has long been on the Commission's agenda. But national governments have found it hard to keep pledges to cut subsidies, particularly in the case of state-owned industries.

Mr Dirk Hudig, chairman of the state aid working group at Unice, the European employers' organisation, welcomed the Irish presidency's move. "There is general dissatisfaction in industry about the way state aid is controlled. The Irish paper is most encouraging."

To make state aid control more transparent, Irish officials are calling for a central register setting out rulings on aid decisions involving the Commission, and for national registers for companies to consult.

The paper also urges member states to create a "single, integrated user-friendly" aid rule book. It says the Commission needs to review the way aid policies are co-ordinated with competition policy and regional development programmes.

The Irish officials argue that the Commission needs to have the flexibility to focus on priority cases, which are becoming complex. With governments facing budgetary pressures, they are designing aid packages with complicated elements such as loan guarantees and tax breaks that are difficult to assess.

The paper warns that European countries are in danger of using aid to transfer unemployment from one state to another without regard for the overall EU aim of helping poorer regions. The authors suggest that "it is highly wasteful of EU budgetary resources" to give regional aid without stopping governments giving subsidies elsewhere to balance the effects of the EU aid.

Sket administrator inquiry revealed

Wutzke under investigation over toxic waste, reports **Frederick Stüdemann**

Attempts to save Sket, the former east German engineering flagship which went into administration last week, were thrown into confusion yesterday when it was revealed that the court-appointed administrator is under investigation by the state prosecuting authorities in Magdeburg.

Mr Wolfgang Wutzke, a Bremen lawyer, is alleged to have been responsible for the illegal disposal of toxic waste at a company in Magdeburg where he is also acting as administrator.

The revelations have cast a further shadow over Mr Wutzke's role at Sket: both the workforce and the company's owners, the BvS government privatisation agency, are trying to overturn his appointment.

The revelations came as BvS officials met Mr Karel van Miert, EU competition commissioner, in Brussels to discuss a restructuring plan for Sket, which under the communists employed over 30,000 people and now has about 1,500.

The plan involves splitting Sket into several units, cutting the workforce and a subsidy package of DM350m ($236m). . German officials hope to convince Mr van Miert that although Sket has already consumed DM1.1bn in public money since 1991, the loss-making company could be turned around and not become a "subsidy grave".

The visit to Brussels is also an effort to reduce tension over the level of subsidies to east Germany. German government arguments that the fragile east German economy still merits special treatment are countered by Brussels concerns that subsidies are distorting the market and infringing EU competition rules.

Earlier this year, this issue came to a head when Bonn and Brussels clashed over subsidies to Volkswagen for a car plant in Saxony.

Sket, which is forecast to make losses this year of DM190m on sales of DM122m, is symbolic of developments in east Germany and particularly in Sachsen-Anhalt. Once an industrial power-house, it is now one of the Länder, or states, hit hardest by the process of economic transformation in east Germany.

Under communism, Sachsen-Anhalt was home to the largest number of Kombinate – the unwieldy industrial combines which were the pillar of East Germany's command economy. It was the centre of the chemicals industry, a big base for the engineering sector and one of the east's brown coal mining areas.

Since unification all these sectors have suffered. Some 80 per cent of engineering jobs have gone since 1991 as companies have closed or been slimmed.

Sachsen-Anhalt now has the highest unemployment rate of all the eastern states. In September, 18 per cent of the workforce were registered as unemployed.

According to figures collated by the government of Sachsen-Anhalt, the state's GDP per person (DM23,529) is 3 per cent below the average for east Germany as a whole and around half of that of west Germany.

Industrial decline is also reflected in a falling population. Since unification Sachsen-Anhalt has lost over 5 per cent of its population through emigration and a declining birth-rate.

The state government – a minority "red-green" coalition of Social Democrats and Greens – has had some successes. Dow Chemical of the US bought 80 per cent of BSL ·Polyolefine, a state-owned company which encompasses what remains of Sachsen-Anhalt's chemicals sector.

According to Mr Reinhard Höppner, the Social Democrat premier of Sachsen-Anhalt, the biggest problem with restructuring is not so much the battered state of local industry but rather the ferocity with which west German companies have sought to exclude east German competitors from the market.

This, he says, has been the case with Sket, which Mr Höppner sees as a victim of west German business interests. "Western competitors are not interested in seeing another engineering company on the market."

But in the state parliament in Magdeburg the opposition Christian Democrats (CDU) and the Party of Democratic Socialists (PDS), east Germany's reformed communists – whose "tolerance" of the government allows it to govern without a majority – claim Mr Höppner could have done more for Sket if he had demanded a seat on the company's advisory board, a claim which he rejects.

Last week, Mr Günther Rexrodt, the federal economics minister, told parliament the government supported the restructuring plan being revised by the BvS, Sachsen-Anhalt and Sket. But members of the governing coalition also argued that the huge subsidies received by Sket could have created jobs elsewhere in the Sachsen-Anhalt economy.

EUROPEAN NEWS DIGEST

US seeks rescue of Bosnia poll

Mr John Kornblum, US envoy to former Yugoslavia, will today hold talks with Mrs Biljana Plavsic, the Bosnian Serb leader, in an effort to rescue local elections due to be held throughout Bosnia-Hercegovina next month.

Mrs Plavsic said last week she would not allow the agency supervising the poll, the Organisation for Security and Co-operation in Europe, to hold local elections in Bosnian Serb territory. Mr Kornblum, who spent yesterday in Sarajevo, will either have to persuade Mrs Plavsic to change her mind or get agreement from the Serbs, the Croats and the Moslems to extend the OSCE's mandate until next year, allowing the poll to be held in the spring. This is the solution favoured by many European diplomats in Sarajevo, who fear there is still huge potential for vote-rigging.

The local elections have already been postponed once because of widespread voter registration fraud. Last week, the OSCE changed the rules so that people will only be able to cast their votes where they lived before 1992, when the war started. Officials hope this will stop the former warring parties trying to gain territory by registering refugees to vote in contested areas. *Paul Wood, Belgrade*

French parties rethink appeal

Leaders of both Gaullists and Socialists – considered the mainstream political parties in France – yesterday promised to field candidates with more grass-roots appeal after Sunday's by-election near Marseilles in which the Communists triumphed over the far-right National Front.

In the two-man run-off, Mr Roger Meï, Communist mayor of Gardanne, won 60.32 per cent of the vote in the Gardanne constituency, easily beating Mr Damien Bariller of the National Front. Mr Robert Hue, leader of the Communist party, which now has 24 seats in the National Assembly, claimed the victory showed his party was now the left's main bulwark against the far right.

Gaullist and Socialist leaders yesterday acknowledged their mistake in endorsing weak candidates for the first round of voting on October 13. After Mr Bernard Tapie was forced by his legal problems to give up the Gardanne seat, the Socialists had "parachuted" in Mr Bernard Kouchner, a former minister, to try to retain the seat for Mr Tapie's Radical Socialist party.

The governing coalition of RPR Gaullists and the centre-right UDF federation failed to run their own candidate and ended up endorsing an anti-European conservative. *David Buchan, Paris*

Albanian party claims victory

Albania's governing Democratic party, widely accused of rigging national elections in May, yesterday claimed victory in municipal polls. It said it had won 61 per cent of city councils, including the capital, Tirana, and 58 per cent of commune seats on a 75 per cent turnout.

It said the opposition Socialists, the former Communists, had won 6 per cent of councils and commune seats, down from over 50 per cent in 1992. Official results are due in the next few days.

The municipal ballot was the first in any post-communist country not monitored by officials from the Organisation for Security and Co-operation in Europe, which pulled out after the government tried to cut the number of its monitors. The Council of Europe, which conducted limited monitoring, said early findings suggested no serious incidents. Socialists said armed bands had intimidated voters and Democrat supporters had tampered with the count. *AP and Reuter, Tirana*

Austria auctions Jewish art

The fate of "heirless" Jewish artworks seized by the Nazis during the second world war will be decided next week when thousands of artefacts go under the hammer in Vienna. The British auction house Christie's is to handle the sale of more than 8,000 items, including Old Master paintings, ancient sculptures and tapestries, valued at some $3.5m. Proceeds will go to families of Holocaust victims.

The auction, at the Vienna Museum of Applied Arts, ends years of controversy over Austria's delay in returning the works to their owners after the Allies handed them back to their countries of origin at the end of the war. *Reuter, Vienna*

German M3 down to 8.4%

Growth in German M3 money supply fell from an annualised 8.7 per cent in August to 8.4 per cent in September against the fourth quarter of 1995, according to Bundesbank data. This was in line with market expectations and is unlikely to have an impact on German interest rates.

The Bundesbank council meets for a regular session on Thursday. On a month-on-month basis M3 went by 0.4 per cent in September, following an increase of 0.8 per cent in August. *Wolfgang Münchau, Frankfurt*

Mafia boss starts fresh trial

Mafia "boss of bosses" Mr Salvatore "Toto" Riina went on trial with 17 others yesterday over the car-bombing murder of Mr Paolo Borsellino, an anti-Mafia prosecutor, and five of his security escort in July 1992 in Palermo. Mr Riina, who is serving nine life sentences, also faces trial for the killing of another anti-Mafia prosecutor, Mr Giovanni Falcone. *AP, Caltanissetta, Sicily*

■ European Union member states invested Ecu8.21bn ($10.42bn) in central and Eastern European countries between 1992 and 1994 - an estimated 13 per cent of all direct investment to the rest of the world.

■ Denmark's consumer prices index rose 0.5 per cent in September from August, up 2.3 per cent year-on-year.

■ Swedish industrial output in August was 2 per cent higher than in the same month last year. In the three months to August, output was up 2.2 per cent up on the previous three months.

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Bulgaria's dreams of post-communist paradise fade

But some candidates in the presidential poll can still see the funny side, report **Anthony Robinson** and **Theodor Troev**

The unsolved murder of Mr Andrei Lukanov, last Communist prime minister of Bulgaria, and the deep unpopularity of a Socialist government blamed for poverty, bread queues and energy blackouts, overshadow next Sunday's first round of presidential elections.

Sofia, in the lee of the snow-capped Vitosha mountain, is the capital of a country trapped in a time warp. It begins at an airport lined with ageing Soviet-built aircraft, where the sense of *ancien régime* is reinforced by a $91 business visa entry fee levied by a government which says it is desperate to attract foreign investors.

Departing passengers are frisked in case they are carrying foreign currency away from a country which has just closed 14 banks.

Some of the banks were strangled by dubious bad debts, some by withdrawals by anxious depositors converting Bulgarian lev into foreign currencies to stick under their bed or salt away abroad. The equivalent of more than $700m has been withdrawn over the past few months, depleting reserves and raising the spectre of a possible second default on Bulgaria's $9.3bn foreign debt next year.

Bulgaria looks what it was, a Soviet satellite, not what it hoped to become, a prosperous democracy. It is a land of peeling high-rise blocks, pot-holed roads, decaying factories and bridges and empty, weed-strewn fields.

A desperate government has decided that it has no alternative but to invite foreign investors to buy state-owned assets, hoping that they will invest and produce a future stream of hard currency exports and tax revenues.

Candidates line up for the Bulgarian presidential election Anthony Robinson

Under the circumstances, it is little wonder presidential candidates worry that non-voters will form the biggest electoral group on Sunday.

None of the 13 candidates is expected to win an outright majority. Polls predict that Mr Petar Stoyanov will lead the poll in the first round. A lawyer, he beat the incumbent, Mr Zhelyu Zhelev, in Bulgaria's first presidential primary election in June, to become the candidate of the anti-Communist Union of Democratic Forces (UDF).

A "dream team" heading the Socialist party (BSP) ticket is expected to come second, leading to a run-off the following Sunday. The party is headed by Mr Zhan Videnov, the young and uncommunicative former head of the Communist youth movement, but for the presidential poll it has chosen candidates far removed from the faction-ridden, feuding reality of the party in power.

Mr Ivan Marazov, a professor who is an expert on the ancient civilisations of the Balkans, is the BSP's presidential candidate. His vice-presidential running mate is Mrs Irina Bokova, the sophisticated, multilingual deputy foreign minister, who has been in charge of Bulgaria's effort to prepare for eventual entry into the EU.

Both support the reformist social democratic wing of the party whose mentor used to be Mr Lukanov, the worldly, well-connected politician turned businessman assassinated outside his home. Close associates say that he was preparing to expose corruption at the top levels of the party and mastermind a political reshuffle.

Jokers in the pack include Mr George Ganchev, for the Bulgarian Business party. A witty populist figure, he talks in language understandable to the suffering man in the street, attracts big crowds and, given the general sense of disillusionment, could even run Mr Marazov close in the first round.

His competition comes partly from two of Bulgaria's most prominent comedians, who treat both the elections and Bulgaria's desperate straits as the raw material for farce. Despite the bleak times Bulgarians have retained a capacity to laugh.

An opinion poll published yesterday showed Mr Stoyanov with 48 per cent support, followed by Mr Marazov, with 23 per cent, and Mr Ganchev with 18 per cent.

NEWS: EUROPE

Italy's PDS shakes up spy services

By Robert Graham in Rome

Italy's centre-left government has pulled off a sensitive shake-up of Italy's intelligence services with only token protests from the opposition.

The overhaul was pushed through the cabinet largely at the behest of the Party of the Democratic Left (PDS), the dominant partner in the ruling Olive Tree coalition.

The PDS has been keen to remove the intelligence service heads and exert greater political control over operations and take advantage of the outcry over the discovery of a bugging device in the Rome offices of Mr Silvio Berlusconi, the leader of the rightwing opposition.

This is the first time in post-war Italy that the left has been able to exercise control over the intelligence community and other members of the government coalition would have preferred to take more time. President Oscar Luigi Scalfaro, himself a former interior minister, made it clear the PDS was treading on sensitive ground.

However, the choice of personnel has been astutely handled, reassuring both President Scalfaro and the opposition. Mr Berlusconi was informed in advance of the appointments which replaced people installed by his government.

The current intelligence structure revolves round a military arm (Sismi), also responsible for counter-espionage, employing some 2,220 people under the control of the defence ministry.

A civilian service (Sisde), dealing with internal security, counter-terrorism and anti-mafia with a staff of some 1,330 operates under the ministry of the interior.

Sismi and Sisde are co-ordinated by a national security executive (Cesis) which is responsible directly to the prime minister and has a staff of just over 200.

The latest changes were limited to appointing new heads to Sismi, Sisde and Cesis. The two civilians chosen have had long careers in the interior ministry. Mr Vittorio Stelo, the new head of Sisde, comes from being the prefect of Turin, while Mr Francesco Berardino, new head of Cesis, was prefect of Florence and is known to be a friend of President Scalfaro who is seen as part of the old long-ruling Christian Democrat establishment.

Admiral Gianfranco Battelli, the new Sismi boss, has headed the defence minister's cabinet since 1994 including a period under the Berlusconi government.

With political consensus on these appointments, the government can now go about a systematic overhaul of the intelligence community whose credibility has been compromised by political interference and corruption scandals.

The main priorities are tighter Cesis control over Sismi and Sisde; better military intelligence co-ordination; a clear set of post-cold war objectives, including economic/financial information; competitive recruitment procedures and more transparent budget control.

Mr Beniamino Andreatta, the defence minister, said the intelligence services churn out too many useless reports while the authorities lack an adequate mechanism to evaluate information, giving a very poor return on the L650bn ($429.3m) annual intelligence budget.

António Guterres is a pragmatic socialist with a deep commitment to monetary union

Portugal's PM steers full ahead for Emu

A boyhood devotee of Hornblower, C.S. Forester's fictional sailor hero, Mr António Guterres had every reason to expect a stormy adventure in his first year as Portugal's prime minister.

He had no previous government experience, his Socialist party had won less than a majority, and he had to put the country through one of the toughest budget exercises in recent history.

Instead, he now finds himself in friendly seas with a strong following wind. Against most expectations, his belief that Portugal can qualify to be one of the first countries to adopt the single European currency is widely shared. Many consider the country better placed to do so than any other southern European Union member.

"We are not making a last-minute race. We are going on with a process that started long ago and that has been pursued in a very determined way. I think that many people outside Portugal did not realise that," he says.

Emphasising his own "deep political commitment" to the project, he hopes Portugal's efforts will carry broad popular consent, despite opposition to the Maastricht treaty from small parties on left and right. But the exercise requires "an extremely delicate balance" to prevent the sacrifices undermining public support for Europe.

His government has just put forward a 1997 budget intended to bring Portugal's fiscal deficit below the Maastricht target of 3 per cent of gross domestic product.

He says he has made the plan "socially tolerable" by finding room for increases in government investment and social programmes, and by not following partners such as Spain in freezing public sector wages. He is optimistic that unions will settle for a modest wage increase in 1997.

Opinion polls show Mr Guterres, 47, to be more popular now than when he won a general election in October last year. But what if Portugal fails, and its membership of the single currency is delayed? "I don't even want to dream about it," he says. "It is something I have never thought about. The only way to make sure you achieve a goal is never to have any doubts about it."

Guterres: single-minded drive Reuter

Poised and confident, Mr Guterres believes the effort towards European monetary union is beneficial in itself. "It is good for Portugal that we have to consolidate our public finances now."

Lower interest rates and inflation would better prepare the country to tackle the longer-term, fundamental reforms that its welfare system requires, he says.

Like British Labour party leader Mr Tony Blair, Mr Guterres' pragmatic brand of Socialism is flavoured by his own private Christian beliefs. "The main contradiction in today's society is between those who enjoy full citizenship and those who are excluded from citizenship." Gearing the welfare system to these needs, he says, will mean "a much higher degree of selectivity."

He is convinced that undertaking these reforms will be "easier inside than outside" the single currency.

Emu will also tie Portugal politically to the core group of what he sees as a looser EU structure after enlargement of the Union to include central Europe.

Accession by countries with wage costs far below Portugal's – currently the lowest in the EU – and with strong competing claims on EU funds, poses a big challenge. But Mr Guterres makes a distinction between these "technical and economic" questions and the political issue of enlargement, for which his support is unequivocal.

Portugal has gained greatly in terms of stability from the EU, he says. "We cannot deny other countries in Europe the same right. I believe that there won't be any European security without stabilising central Europe." That could only be achieved by the enlargement of both the EU and Nato.

Portugal, he says, shares common ground with Britain in the importance it gives to Nato as the basis of European security, and to a continuing US military presence in Europe. He argues that a strong British commitment to the EU is important in order to back this line.

"We both want an Atlantic Europe. We do not want a European Union which is centred on itself."

David White and Peter Wise

Portugal's resolve to participate in European monetary union from the outset, even if Spain's entry is delayed, has been dismissed as "totally unrealistic" by the former prime minister who launched Portugal's drive to adopt the single European currency, reports Peter Wise.

Mr Aníbal Cavaco Silva, who headed a centre-right government from 1985 to 1995, said yesterday it was unreasonable to expect the EU would allow Portugal to join the euro group if Spain was rejected.

His assessment conflicts with the view of Mr António Guterres, the Socialist prime minister, that Portugal's participation in Emu should be decided on the country's own merits, regardless of whether Spain is admitted.

Mr Guterres would prefer both Spain and Portugal to adopt the euro together, but he believes Portugal is economically better qualified for Emu than any other southern European candidate and should not be excluded on political grounds if Spain fails to meet the requirements.

Mr Cavaco Silva told foreign bankers in Lisbon yesterday that Spain and Portugal had achieved similar results in their efforts to meet the convergence criteria for Emu.

Both should qualify to be in the group due to launch the euro in 1999, "unless unexpectedly serious developments hit the Spanish economy", he said.

Finnish premier shrugs off poll setback

By Hugh Carnegy in Stockholm

Mr Paavo Lipponen, Finland's prime minister, yesterday shrugged off Eurosceptic gains in elections to the European parliament, saying his Social Democratic-led government would continue to prepare Finland to join the planned European monetary union.

"The only attitude for the government is to act as if Emu will take off in 1999," he said after the opposition Centre party won the biggest share of the votes in Sunday's poll.

The Centre party – which led Finland into the European Union last year but is critical of the government's pro-Emu stance – took 24.4 per cent of the vote, overtaking the SDP, which won 21.5 per cent.

Candidates who gained most votes were Mr Paavo Väyrynen, former Centre party foreign minister, and Mr Esko Seppänen of the Left party. They have been the most prominent opponents of Finland's EU drive.

Sunday's vote came a week after the Finnish markka joined the European exchange rate mechanism in preparation for joining Emu, and was widely seen as a sign of public concern at the government's stance.

"There is a message here. The Lipponen cabinet has been very determined to take us to the very core of the EU, but I think Finns have not really kept pace – they feel the government is going too fast," said Mr Pekka Ervasti, political columnist for Ilta-Sanomat newspaper.

But the results were far from a decisive rebuff for pro-Emu policies. The Centre party lost one seat, taking four of the 16 Finland occupies in the European parliament, while the Conservative party, the SDP's main coalition partner, gained one seat to win four. The SDP retained its four seats. The three other small coalition parties took the rest, although one of those went to Mr Seppänen.

Hanoi edges closer to tackling graft

By Jeremy Grant in Hanoi

Vietnam's top military official yesterday joined a chorus of criticism against rising corruption, saying it was undermining confidence in the Communist leadership. His comments came amid signs that for the first time practical measures are being considered to tackle the problem.

Lieut-Gen Le Kha Phieu, who rose to prominence in the politburo at the Communist party's recent congress, told the People's Army newspaper that tough measures were needed to combat graft. He hinted that "hostile forces" were partly to blame, a phrase that usually means foreign countries.

"Corruption has been causing the degeneration of the revolutionary nature of our state, and the reduction of confidence in the party and the state by the working class and the people," he was quoted as saying.

Lieut-Gen Phieu's comments are typical of the rhetoric that portrays corruption as an ideological enemy of the Communist party. But signs are emerging that Hanoi may be prepared to tackle the issue from a practical, rather than a philosophical, point of view – if the system will allow it.

Mr Do Muoi, the party general secretary, last week admitted corrupt bureaucrats were squirreling away money in foreign banks, putting them beyond the government's scrutiny.

The prime minister, Mr Vo Van Kiet, in an address to the National Assembly, proposed "new penalties" to combat the problem. There was support among other senior leaders for measures forcing officials to disclose their assets publicly, a previously unthinkable concept.

Foreign investors and donor countries have expressed worries in recent months about a rise in corruption in Vietnam, which implemented economic reforms 10 years ago. Ordinary Vietnamese also routinely complain of petty graft.

Multiple licences are usually needed before foreign projects can start, creating an environment where bureaucrats have repeated opportunities to demand kickbacks.

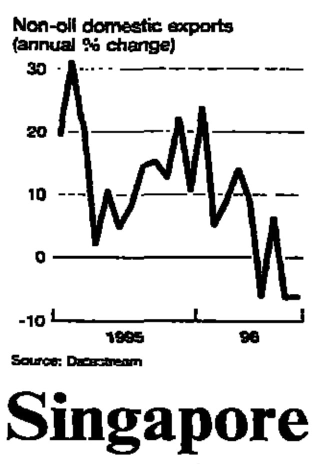
The incentive for corrupt practice is high as government salaries have not kept pace with rapidly rising urban incomes. Middle-ranking bureaucrats can earn as little as $50 a month in the capital.

Observers were disappointed when it appeared last week that the assembly, the country's legislature which meets twice a year, would only discuss changes to the foreign investment law and tax.

Corruption and smuggling are supposed to be dealt with by a ministerial committee but there is little evidence that its work is having any effect. However, Mr Muoi's comments, coupled with wider reporting of a big bank fraud scandal, appear to have forced the issue on to the agenda.

Earlier this month, a court in Ho Chi Minh City for the first time passed the death sentence for fraud – on a bank official.

A separate scandal involving officials at Vietcombank, the country's biggest bank, has captivated newspaper editors in the past week. Even the conservative People's Army newspaper, which usually restricts its reporting to state visits and party and army issues, published its own version.



Singapore exports suffer

By James Kynge in Kuala Lumpur

Singapore's non-oil exports fell 6.2 per cent in nominal terms in September from the same month a year earlier, confirming a trend of declining exports because of the global slump in demand for electronics.

Official figures showed that non-oil exports were S$7.31bn (US$5.17bn) in September, slightly higher than August's S$7.01bn. The decline in September against the same month last year, however, prompted some economists to revise downwards their economic forecasts for 1996.

Several economists are now predicting gross domestic product growth this year of slightly below the government's target range of 7-8 per cent. In 1995 GDP growth was 8.8 per cent and in 1994, 10.2 per cent.

Worst hit were exports of electronics and related products, which account for 60 per cent of the island's non-oil exports.

The biggest decline was in telecommunications equipment, with a 23.7 per cent fall in September compared with last year. Semiconductors, electrical machinery and electronic valves were also down.

Bitter future for Philippine sugar

Planters claim government is mismanaging the industry, writes Edward Luce

Mr Manuel Lamati, president of one of the Philippines' largest sugar associations, is not a happy man. Leader of a group known as the "Don Quixotes" – a reference to the planters' mainly Hispanic roots – Mr Lamati is suing the government for alleged mismanagement of the sugar industry.

Employing more than 500,000 people the industry produces almost 2m tonnes of sugar a year, but has suffered a steep decline since its heyday as the country's second largest exporter in the 1970s. Last year the country became a net importer of sugar, shipping in over 1m tonnes, mostly from Thailand.

The planters believe that, without strong government, support the industry could face widespread bankruptcies in the countdown to liberalisation. Under the 1994 Uruguay Round world trade accord, tariffs on sugar imports to the Philippines must fall from 100 per cent in 1996 to zero by early next century.

"What is happening to the Philippine sugar industry is little short of disastrous," said Mr Lamati. "We used to be the second largest producer of sugar in the world. Now we are having to rely on foreign imports to meet our demand."

Mr Lamati's grievances, which include allegations that the country's predominantly Chinese sugar traders are colluding with government regulators to undercut producers, are echoed across the farm sector.

More than 45 per cent of the country's workforce is employed in the farm sector. Yet agriculture's share of Philippine exports is dropping rapidly and farming has fallen below 25 per cent as a proportion of the national economy. The result is a widening income gap between the urban and rural populations and a flight by the rural poor to shanty towns in the cities.

"The Philippine agricultural sector acts as an anchor which is dragging on the growth of the Philippine economy," said Mr David Nellor, the International Monetary Fund representative in Manila. "The government needs to improve rural infrastructure and other support services if agriculture is to reach the high growth rates of the rest of the economy."

Few believe the necessary reforms will come soon. Under the government's land redistribution programme, marginal land is divided between labourers across the country. Often it fails to follow this up with rural infrastructure spending or supply of credit to the new owners.

Harvesting sugar cane in Negros: rising incidence of banditry is creating law and order headaches *Veronica Narbutt*

The result, according to Mr Rafael Coscolluela, governor of Negros province, which produces more than half the country's sugar, is a system "where the government divides the land equally and then declares the new owners equally poor".

Mr Coscolluela says the government is actively hampering the restructuring of the sugar industry. Like the island's 16,000 sugar planters, the governor concedes that the industry is inefficient. Thai sugar, for example, is cheaper than Philippine sugar even after the 100 per cent import tariff.

Unlike their Thai counterparts, however, Philippine producers have little incentive to upgrade their production facilities. Duties on the import of capital equipment and machinery remain punitively high. Interest rates on loans to the sector average above 20 per cent. In Thailand, sugar producers are commonly charged around 6 per cent interest, while capital imports are duty-free.

"We are not against free trade or liberalisation," said Mr Jaime Golez, a sugar planter in Negros. "We need incentives to make the sugar industry more efficient. The alternative is social unrest."

Many fear the spectre of a Zapatista-style rebellion. Growing incidents of rural banditry already provide worrying law and order headaches.

Partly out of desperation, Mr Lamata and his colleagues have filed a class lawsuit against the sugar authority for allegedly conniving to undercut Philippine sugar with illegal imports. The case is likely to take years.

"The real reason why they call us 'Don Quixotes' is because they think we have no chance of succeeding," said Mr Lamata. "Maybe we are quixotic but we think we have no alternative."

Fears over Dhaka corruption purge

By Kasra Naji in Dhaka

The authorities in Bangladesh have begun legal proceedings against several senior figures linked to the previous government for alleged corrupt practices.

The move threatens the fragile balance of power between the government and the opposition, and raises concern in the banking sector.

The anti-corruption bureau has filed cases against 10 people, including Maj-Gen Majidul Haq, the former minister of water resources, for allegedly misusing government vehicles, and senior management of the Arab Bangladesh Bank in connection with sanctioning a Tk30m ($710,000) loan.

All the accused, including Mr Monzur Morshed Khan, chairman of the bank who was alleged to have received the loan, Mr Abdul Rahim Chowdhury, its managing director, and three other senior bank officials, are now on bail. "We are completely satisfied with the way we sanctioned the loan," said an official of the bank.

Last month the authorities filed corruption cases against the son and the brother of Mrs Khaleda Zia, leader of the opposition Bangladesh Nationalist party. Mr Morshed Khan is a parliamentary member of the BNP and was a special economic envoy of Mrs Zia when she was prime minister. Other charges have already been brought against former managing directors of two other banks.

Last month, Transparency International listed Bangladesh among the four most corrupt countries in the world.

However some observers claim there are political reasons for the latest legal proceedings. "They smack of political harassment," said one business community leader.

"Bank managers are now going to be very reluctant to sanction loans in case the next government sees it as a political favour," said one banker who is a supporter of the government.

Mr Chowdhury, managing director of the Arab Bangladesh Bank, said the loan was sanctioned according to "all the established norms and practices of and in accordance with standard rules."

Since the Awami League came to power in June there has been a fear the BNP might resort to street agitation similar to the Awami League when in opposition.

ASIA-PACIFIC NEWS DIGEST

Bonn's Beijing troubles 'over'

Mr Klaus Kinkel, the German foreign minister, declared yesterday that troubles in Bonn's ties with Beijing had now been settled as a result of his visit to China. "There have been bumps in Sino-German relations. But things are now resolved," Mr Kinkel said after meeting Mr Qian Qichen, his Chinese counterpart, in Beijing. Mr Kinkel, who arrived in China yesterday for a five-day visit, said Mr Qian had stressed Beijing was interested in building up Sino-German relations, strained in recent months by a dispute over China's policies in Tibet.

Good prospects existed for further exchanges on economic matters between Beijing and Bonn, Mr Kinkel added. Human rights issues and other important points in the relationship had been discussed, including the cases of the Chinese dissidents Wang Dan and Wei Jingsheng, though no details were given. *Reuter, Beijing*

Taiwan appeals for calm

The Taiwanese government yesterday appealed for calm as activists vowed to risk their lives to stage an air protest over disputed islands in the East China Sea. The government's aviation department has said consent must be sought from Japan for flights around the Diaoyus, known as the Senkakus in Japanese. This has infuriated activists who called it tantamount to accepting Tokyo's sovereignty claim.

Campaigners will send two helicopters next weekend to drop Taiwanese flags on to the islands, which are claimed by China, Japan and Taiwan. Some 28 retired air force officers will fly around the islands to demonstrate Taiwan's claim to the island air space. *AFP, Taipei*

China to offer tax breaks

China will offer tax breaks and discount prices in land use to attract investors to the country's underdeveloped inland provinces, the official China Daily reported yesterday. Some 2,500 projects in inland provinces had been offered to investors at a trade fair in Guangzhou, the newspaper said. Foreign investment in China's inland provinces has lagged behind prosperous coastal areas; some provinces attracted less than 1 per cent of total foreign investment in 1995.

The Chinese government has made narrowing this disparity a priority, and is seeking to channel investment inland by extending preferential policies for investors to areas beyond the special economic zones and eastern coastal region, and building inland infrastructure. Most of the 2,500 projects on offer were in mineral resource exploration, hydroelectric power generation and agriculture, sectors where inland provinces are seen as having advantages. *Sophie Roell, Beijing*

Bhutto defies 'quit' pressure

Pakistan's prime minister, Ms Benazir Bhutto, has vowed not to resign under pressure, as she laid before parliament a draft law to fight corruption, the issue her opponents are using against her. Speaking in the National Assembly after submitting the much-awaited draft law, Ms Bhutto, whose five-year term expires in 1998, rejected opposition demands for snap polls under a caretaker government. "I present myself for accountability," she said, calling for the appointment of a special prosecutor to investigate opposition charges of kickbacks and the alleged purchase of costly property abroad by her husband, Asif Ali Zardari. *AFP, Islamabad*

Suu Kyi roadblocks down

Burma's military government yesterday removed the blockades barring access to roads around democracy leader Aung San Suu Kyi's house, witnesses said. The barricades had been manned by heavily armed soldiers for 10 days. The ruling military body, the State Law and Order Restoration Council said it had set up the barricades to prevent unrest.

The blockades had stopped the Nobel Peace prize-winner giving her regular weekend speeches for the fourth weekend in a row. They were also in place from September 26 to October 8 to stop Ms Suu Kyi's National League for Democracy holding a congress. The state media reported yesterday that Lt-General Khin Nyunt, military intelligence chief, has urged Burmese to crush the "traitors" spreading western ideas. *Reuter, Rangoon*

INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1985=100.

UNITED STATES

	Exports	Visible trade balance	Current account balance	Ecu exch. rate	Effective exch. rate
1985	279.8	–174.2	–163.0	0.7623	100.0
1986	231.0	–140.6	–153.4	0.9836	81.4
1987	220.2	–131.8	–144.1	1.1541	71.9
1988	272.5	–100.2	–107.4	1.1833	67.0
1989	330.2	–99.3	–94.3	1.1017	70.0
1990	309.0	–79.3	–72.7	1.2745	66.7
1991	340.5	–53.5	–6.0	1.2391	65.7
1992	345.9	–65.2	–47.5	1.2957	64.4
1993	397.3	–98.7	–85.4	1.1705	66.3
1994	432.3	–127.0	–125.2	1.1857	65.1
1995	452.3	–122.8	–114.6	1.2928	61.2
3rd qtr.1995	113.0	–30.5	–28.9	1.3020	61.0
4th qtr.1995	117.7	–26.9	–23.6	1.2897	62.3
1st qtr.1996	121.2	–30.6	–27.7	1.2570	63.7
2nd qtr.1996	126.2	–32.6	–31.4	1.2362	64.6
Sept. 1995	39.4	–9.7	n.a.	1.2772	62.5
October	38.8	–9.2	n.a.	1.2977	61.9
November	39.0	–8.7	n.a.	1.2954	62.2
December	39.9	–9.1	n.a.	1.2758	62.7
January 1996	39.1	–11.5	n.a.	1.2834	63.6
February	41.2	–9.3	n.a.	1.2536	63.8
March	41.0	–9.8	n.a.	1.2541	63.6
April	41.6	–10.5	n.a.	1.2421	64.3
May	42.8	–11.7	n.a.	1.2282	64.6
June	41.9	–10.4	n.a.	1.2383	64.8
July	40.0	–12.4	n.a.	1.2563	64.6
August	41.0	–11.7	n.a.	1.2688	64.1

JAPAN

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	228.2	73.5	64.5	180.50	100.0
1986	208.9	94.2	87.2	165.11	127.7
1987	194.7	83.7	75.5	166.58	138.8
1988	218.7	79.8	67.0	151.51	153.7
1989	245.5	70.6	53.4	151.87	147.0
1990	220.0	50.0	28.5	183.94	132.5
1991	249.4	77.7	57.4	166.44	143.7
1992	256.6	96.2	86.7	164.05	150.7
1993	300.4	118.6	112.5	130.31	181.0
1994	325.1	121.9	110.6	120.98	194.9
1995	331.3	101.4	85.5	121.43	204.8
3rd qtr.1995	82.8	25.2	23.0	122.36	203.7
4th qtr.1995	80.3	22.0	17.8	130.87	187.8
1st qtr.1996	78.6	16.9	12.2	132.92	182.0
2nd qtr.1996	81.7	16.1	12.2	132.90	180.8
Sept. 1995	27.2	8.3	7.1	128.19	191.6
October	26.0	6.2	4.8	130.78	188.8
November	27.1	8.3	7.0	131.98	186.8
December	27.2	7.5	6.0	129.85	187.9
January 1996	25.5	5.6	4.3	133.43	182.1
February	27.1	4.3	3.4	132.49	182.1
March	26.1	7.0	4.5	132.84	181.9
April	26.5	3.7	2.8	133.12	180.7
May	28.7	5.8	4.6	130.67	183.1
June	26.5	6.6	4.8	134.91	178.2
July	26.7	4.8	4.8	137.21	176.8
August	26.6	6.5	6.4	136.84	178.2

GERMANY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	*242.7*	*33.0*	*22.5*	*2.2260*	*100.0*
1986	*248.5*	*53.3*	*41.3*	*2.1279*	*108.5*
1987	*254.4*	*56.7*	*40.0*	*2.0710*	*114.9*
1988	*272.6*	*61.4*	*41.9*	*2.0739*	*114.7*
1989	*310.1*	*65.2*	*52.0*	*2.0681*	*113.3*
1990	323.8	51.7	38.3	2.0537	116.1
1991	327.5	11.1	–14.6	2.0480	117.1
1992	330.9	16.8	–15.0	2.0187	120.6
1993	325.2	30.6	–11.6	1.9337	125.3
1994	360.0	37.4	–16.6	1.9198	125.6
1995	395.0	49.1	–13.0	1.8509	132.1
3rd qtr.1995	99.5	12.2	–6.6	1.8824	131.7
4th qtr.1995	100.7	12.9	–4.2	1.8385	132.3
1st qtr.1996	100.2	12.4	–2.0	1.8455	130.6
2nd qtr.1996	98.9	12.2	–2.7	1.8821	128.2
Sept. 1995	34.6	4.4	–1.1	1.8656	131.1
October	33.5	4.0	–2.3	1.8357	132.9
November	33.7	5.3	0.4	1.8363	132.4
December	33.6	3.6	–2.2	1.8374	131.6
January 1996	33.4	3.4	–2.4	1.8460	131.0
February	33.6	5.0	0.8	1.8377	130.8
March	33.2	3.9	–0.3	1.8528	130.1
April	33.4	4.5	–0.3	1.8715	129.0
May	32.8	4.5	–1.3	1.8826	127.7
June	32.8	3.2	–1.1	1.8921	127.8
July	34.7	5.9	–2.3	1.8888	128.5
August				1.8808	129.2

FRANCE

	Exports	Visible trade balance	Current account balance	Ecu exch. rate	Effective exch. rate
1985	133.4	–3.7	–0.2	6.7942	100.0
1986	127.1	0.0	3.0	6.7946	102.7
1987	128.3	–4.6	–3.7	6.9265	102.7
1988	141.9	–4.7	–3.4	7.0354	100.6
1989	162.9	–6.3	–3.6	7.0169	99.6
1990	170.1	–7.2	–7.2	6.9202	103.6
1991	175.4	–4.2	–4.9	6.9643	102.1
1992	182.5	4.5	2.8	6.8420	105.4
1993	179.6	13.3	8.0	6.6281	108.1
1994	198.8	12.9	5.4	6.5659	110.1
1995	222.1	15.9	12.6	6.4460	113.4
3rd qtr.1995	55.2	3.2	0.9	6.4363	114.0
4th qtr.1995	56.2	4.2	2.4	6.3560	114.3
1st qtr.1996	58.0	4.7	6.1	6.3261	113.9
2nd qtr.1996	56.2	3.8	3.1	6.3772	113.4
Sept. 1995	18.6	1.2	0.4	6.4344	113.7
October	18.5	1.1	0.6	6.4104	113.6
November	18.9	1.9	1.4	6.3308	114.8
December	18.7	1.1	0.4	6.3269	114.4
January 1996	19.2	1.3	2.5	6.3221	114.4
February	18.9	1.6	1.7	6.3189	113.7
March	19.9	1.8	2.0	6.3434	113.7
April	18.5	0.5	0.7	6.3489	113.9
May	19.3	1.8	1.1	6.3707	113.3
June	18.5	1.5	1.3	6.4121	113.0
July	18.8	1.7	0.0	6.3965	113.7
August					113.2

ITALY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	103.7	–16.0	–5.4	1443.0	100.0
1986	99.4	–2.5	–1.4	1461.6	101.4
1987	100.7	–7.5	–2.1	1494.3	101.1
1988	108.3	–8.9	–8.0	1536.8	97.7
1989	127.8	–11.3	–17.0	1509.2	98.6
1990	133.6	–9.3	–18.0	1523.2	100.1
1991	137.0	–10.5	–17.7	1531.3	98.7
1992	137.9	–8.0	–21.5	1591.5	95.6
1993	144.3	17.9	9.7	1836.7	80.5
1994	160.1	18.6	13.1	1908.6	77.0
1995	178.9	21.1	20.1	2106.4	69.4
3rd qtr.1995	43.8	7.1	7.1	2096.4	70.0
4th qtr.1995	48.3	6.0	5.0	2061.0	70.4
1st qtr.1996	47.6	4.6	–1.2	1976.7	73.2
2nd qtr.1996	51.3	9.8	10.7	1922.3	75.9
Sept. 1995	16.1	1.6	2.0	2062.6	71.0
October	16.4	2.1	2.1	2084.7	69.8
November	16.3	2.0	1.0	2064.8	70.3
December	16.6	1.9	2.0	2033.6	71.1
January 1996	13.6	0.1	–1.1	2001.4	72.4
February	16.2	2.1	1.2	1969.6	73.3
March	17.8	2.7	–1.3	1959.1	74.0
April	16.2	2.3	2.4	1944.9	74.8
May	18.1	3.9	4.0	1912.2	76.2
June	17.1	3.7	4.3	1909.8	76.8
July	19.7	6.3	2.7	1918.1	76.6
August				1923.8	76.4

UNITED KINGDOM

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	132.4	–5.7	3.8	0.5890	100.0
1986	108.3	–14.2	–1.3	0.6708	91.1
1987	112.3	–16.4	–6.8	0.7047	89.8
1988	120.9	–32.3	–24.8	0.6643	94.7
1989	137.0	–36.7	–33.3	0.6728	91.9
1990	142.3	–26.3	–26.2	0.7150	89.8
1991	147.7	–14.7	–11.4	0.7002	90.5
1992	145.9	–17.8	–13.8	0.7359	87.4
1993	156.0	–17.2	–13.8	0.7780	79.9
1994	174.1	–14.0	–3.1	0.7738	80.1
1995	186.0	–14.2	–3.5	0.8190	76.2
3rd qtr.1995	46.8	–4.3	–1.3	0.8268	75.7
4th qtr.1995	47.4	–3.8	–1.5	0.8267	75.0
1st qtr.1996	49.1	–4.8	–1.0	0.8206	75.0
2nd qtr.1996	51.1	–4.4	0.8	0.8113	76.1
Sept. 1995	16.1	–1.6	n.a.	0.8183	76.2
October	15.4	–2.0	n.a.	0.8224	75.7
November	16.3	–0.6	n.a.	0.8291	74.8
December	15.7	–1.3	n.a.	0.8265	74.5
January 1996	16.1	–1.7	n.a.	0.8254	74.8
February	16.4	–1.6	n.a.	0.8159	75.3
March	16.6	–0.9	n.a.	0.8212	76.0
April	16.7	–1.7	n.a.	0.8201	75.2
May	17.3	–1.4	n.a.	0.8106	76.0
June	17.1	–1.4	n.a.	0.8031	77.2
July	17.1	–1.5	n.a.	0.8065	77.0
August				0.8185	76.1

Due to the introduction of the Single Market, EC countries are currently changing to a new system of compiling trade statistics. All trade figures are seasonally adjusted, except for the Italian series and the German current account. Imports can be derived by subtracting the visible trade balance from exports. Export and import data are calculated on the FOB (free on board) basis, except for German and Italian imports which use the CIF method (including carriage, insurance and freight charges). German data up to and including June 1990, shown in italics, refer to the former West Germany. The nominal effective exchange rates are period averages of Bank of England trade-weighted indices. Data supplied by Datastream and WEFA from national government and central bank sources.

NEWS: WORLD TRADE

Global telecoms deal comes closer

By Alan Cane in Geneva and Guy de Jonquières in London

The US satellite communications industry has softened its opposition to plans for a global accord to liberalise basic telecommunications. As a result, chances of a deal being reached in the World Trade Organisation early next year have improved.

WTO negotiators failed to agree by their original deadline last April. This was partly because of last-minute objections by US consortia planning a new generation of satellite services, which will allow communications between hand-held terminals anywhere in the world.

However, a meeting last week between international satellite operators and trade negotiators is said to have revealed a change in attitudes.

Most of the industry is now thought to be keen for a WTO accord to be concluded by the new deadline in mid-February.

"The problems behind the failure of the talks in April have been largely resolved," said one trade diplomat. Representatives of the operators said the talks had been "positive and encouraging".

The US consortia had argued that their planned satellite services would be handicapped commercially unless other WTO members committed themselves to open their markets to freer international competition.

But one trade negotiator said the consortia now appeared ready to settle for more modest market access concessions than they had sought in April. "They recognise they won't get a lot, but it's better than nothing."

The first satellites designed for the new services, known as global mobile personal communications by satellite, are due to be launched this year.

Consortia competing to set up such services include Iridium, led by Motorola of the US, GlobalStar, with Loral of the US as themain investor, ICO, a subsidiary of the satellite telecoms pioneer, Inmarsat, and US-based Odyssey .

The WTO talks still face other hurdles. The biggest is concern in Washington that telecommunications monopolies from other countries will take advantage of low US rates on international routes without offering US carriers equal treatment.

US unhappiness on this point led it to balk at a deal in April. WTO negotiators do not expect progress to be made on the issue before next month's US presidential elections.

Satellite issues dominate a meeting in Geneva this week of the World Telecommunications Policy Forum, which brings together some 1,400 representatives of governments, regulatory bodies, telecoms operators and service providers. The forum, which has no power to set or impose policies or regulations, aims to provide a background of discussion, against which individual countries can devise their own regulations.

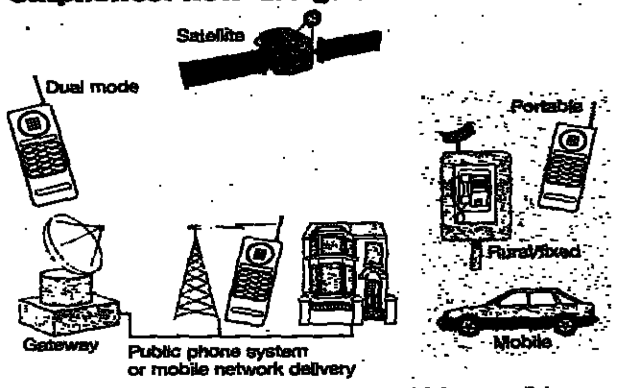
Mr Pekka Tarjanne, secretary-general of the International Telecommunications Union, said yesterday when opening the conference that the regulation of satellite mobile phone services was one of the most difficult issues facing the telecoms industry and the WTO.

The principal issues were measures to license the use of portable handsets across national frontiers, and ways of implementing satellite services in developing countries.

These countries, many of which derive a significant part of their balance of trade revenues from high-priced, long-distance and international telephone calls, are concerned that satellite services could by-pass conventional public switched networks (PSTN) and deprive them of significant amounts of money.

Some countries are reluctant to allow satellite handsets past their boundaries on the grounds they could bypass PSTN traffic. GlobalStar will avoid this problem by transferring its satellite traffic to and from fixed networks rather than from satellite to satellite.

Satphones: how the global mobile works



	GlobalStar	Iridium	Odyssey
Estimated system cost ($bn)	2.20	3.40	3.00
Handset cost ($)	750	2,500-3,000	700
Call charges* ($)	around $1/min.	$3/min. worldwide	Less than $1/min.

* Does not reflect price user will be charged

Source: International Telecommunications Union

Australia lifts uranium ban

By Nikki Tait in Sydney

Australia yesterday lifted its ban on new contracts for the supply of uranium to France, presenting opportunities for local mining companies which are expanding uranium operations.

The ban was imposed in September last year, when the controversy over France's testing of nuclear weapons in the South Pacific was at its height.

After France had conducted its first test at Mururoa Atoll earlier that month, Mr Paul Keating, Australia's then-prime minister, said no further supply agreements would be permitted until France signed the comprehensive test ban treaty. However, he did not halt exports under an existing 13-year contract between Energy Resources Australia and Electricité de France on grounds that this could lead to compensation payments and hurt Australia more than France.

Last month, France signed the treaty and yesterday, Australia's new coalition federal government lifted the restriction.

Australian mining companies are looking to expand existing uranium production sites in both the Northern Territory and South Australia. Several new mines are also expected to be given the go-ahead, following a government decision to end production curbs.

ERA, which is part of the listed North group, said it did not expect to increase immediately, but an extension of its contract with Electricité de France was possible.

Australia is insistent that exports are subject to strict safeguards ensuring the uranium is used only for peaceful purposes. However, environmentalists remain critical of the adequacy of these, and have condemned the government's latest move.

"The so-called good news for Australia's uranium mining industry is clearly shocking news for the planet," said Senator Meg Lees, environment spokesman for the Australian Democrats.

Apec members back US plan to scrap IT tariffs

By Edward Luce in Manila

The 18 members of the Asia Pacific Economic Co-operation forum have agreed to back a US proposal to eliminate tariffs on information technology products by the year 2000.

The decision means Apec members will support the initiative at the World Trade Organisation's first ministerial meeting in Singapore in December.

Apec officials said several details, including the classification of products to fall under the agreement, would be ironed out before the forum's summit on November 25. But the main thrust of the proposal had been agreed.

"Information technology liberalisation will be the biggest initiative to come out of the Apec summit next month," said Mr Jesus Estanislao, adviser to President Fidel Ramos of the Philippines, chairman of Apec 1996.

"We are still not entirely sure whether this will include software as well as manufactured products, but that will be resolved by November."

Under the deal, which, if accepted by the European Union at the WTO meeting, would eliminate world tariffs on information technology, Apec members would negotiate the package as individual countries in Singapore. This reflects the fact that Apec is not a formal trade group.

The EU has agreed in principle to the IT proposal but has linked acceptance to its inclusion in a US-Japan bilateral arrangement on trade in semiconductors. Informal talks between the EU and other members of the WTO are continuing in Geneva.

Other problems include the difficulty of defining what constitutes an IT product. The US is arguing for the widest scope possible.

China, however, has questioned the inclusion of non-physical or intangible IT products.

Apec comprises the US, Japan, China, the Philippines, Brunei, Thailand, Indonesia, Malaysia, Singapore, Hong Kong, Taiwan, New Zealand, Australia, Canada, Papua New Guinea, South Korea, Mexico and Chile.

WORLD TRADE NEWS DIGEST

Opel's Polish plans expand

Opel, General Motors' German subsidiary, is considering doubling production in Poland – revealed yesterday as Europe's fastest-growing car market. The company is already building a DM470m ($300m) factory at Gliwice to make 72,000 medium-sized family cars a year from 1998.

Mr David Herman, the head of Opel, says: "I would be very surprised if we were not making another car in Gliwice in the year 2000."

Poles bought almost 290,000 new cars in the first nine months of this year, according to Samar, a local consultancy. This is 38 per cent more than in the same period last year; 264,000 cars were sold over the entire year. It also puts Poland in eighth place in Europe, ahead of Switzerland and Austria, in terms of total sales, and ahead of Norway and Ireland, the two other main growth markets. *Christopher Bobinski, Warsaw*

BP in $2.5bn China venture

BP Chemicals is to build a $2.5bn petrochemical complex in Shanghai in a joint venture with Shanghai Petrochemical, a subsidiary of Sinopec, China's state-run chemicals producer.

The venture is only the second foreign investment of strategic significance to China's chemicals industry. Its centrepiece will be a 650,000-tonnes a year ethylene cracker, the largest in the country. This will produce the raw material for a variety of other chemicals, including acrylonitrile, used to make acrylic fibres. It will also increase China's capacity to produce ethylene by 27.5 per cent, from its current level of 2.36m tonnes a year.

This is in addition to a 600,000-tonnes a year cracker announced in March as part of a DM6bn ($4bn) petrochemicals complex in Nanjing. The Nanjing complex will be a joint venture between Sinopec and BASF of Germany.

However, with letters of intent now signed by both BASF and BP, Dow of the US says it, too, is involved in negotiations for a joint venture petrochemicals complex. *Sophie Roell, Beijing and Jenny Luesby, London*

Export zone for Bangladesh

South Korea's Youngone Corporation has won approval from the Bangladesh government to set up its own Export Processing Zone in the south of the country, taking advantage of incentives including a 10-year tax holiday. Through its Bangladesh subsidiary, Youngone is expected to invest $200m at first in developing the zone. It intends to buy 2,700 acres of land near the port of Chittagong to establish over 10 years the $1bn zone, which will contain 130 small and medium-sized industrial units.

The zone is expected eventually to employ 150,000 workers producing goods ranging from sportswear to machine tools. The government's decision follows a vote in parliament last month in favour of private, even foreign, ownership of export processing zones.

Youngone is already among the biggest investors in the three government-owned zones. *Kasra Naji, Dhaka*

WTO under consumer attack

Consumer organisations yesterday lambasted the World Trade Organisation for excessive secrecy and called for more openness in providing information and consulting outside groups.

Consumers International, the London-based organisation which groups more than 200 bodies in over 80 countries, said the decision of the WTO general council in July to release a very limited amount of information was "disappointing" and only served to maintain "the veil of secrecy" around its operations.

It also complained that powerful business interests had greater access to trade policy decision-making than public interest groups. *Frances Williams, Geneva*

NEWS: THE AMERICAS

Big vote, big bucks, big issue

Jurek Martin on why campaign finance has aroused controversy as poll looms


US ELECTIONS November 5

When Mr Bob Dole proposed over the weekend that political contributions from corporations, trade unions and wealthy individuals be barred, the Democratic response was predictably swift. Mr Leon Panetta, White House chief of staff, said on a TV interview that, while in Congress, the Republican presidential candidate had led no less than six filibusters against campaign finance reform. That included, he noted, the latest bipartisan version, which failed earlier this year but which President Bill Clinton had supported.

Mr Dole even suffered dissent from his running-mate, Mr Jack Kemp, over one recommended proscription. He had said that only American citizens should be allowed to make political contributions, but Mr Kemp insisted that legal immigrants had as much right as anybody to put their money where their beliefs were. (The US subsidiaries of foreign companies, but not the parents, are also permitted to give politically.)

Over the last week it is the Democrats, traditionally less well endowed financially than the Republicans, who have been mostly on the defensive over the question of campaign finance contributions, especially from non-American sources.

At issue have been $450,000 in legal donations from an Indonesian couple of apparently modest means but with connections to the country's Lippo conglomerate. The Democratic National Committee also returned another $250,000 donation having determined that it came directly from a Korean parent company rather than its US-based subsidiary. Questions have been raised over another $140,000 raised at a Buddhist temple in California in the presence of Vice-President Al Gore.

Mr John Huang, in charge of Democratic fundraising from Asian-American business interests and involved in all three controversial operations, was last week relieved of his duties. He formerly was head of Lippo's US offshoot.

The Republican record, however, is far from clean. Its national committee has also recently returned an apparently improper contribution of $15,000 from a Canadian company. The Democratic campaign has released a list of seven cases, five in the last year, in which Mr Dole is charged with accepting questionable donations, all from domestic sources.

> In Congress, the Republican candidate had led six filibusters against campaign finance reform

The Los Angeles Times last week listed the substantial contributions Mr Dole had received over the years from Ernest and Julio Gallo, the California winemakers, in return for assistance over labelling legislation.

Republicans charge that Mr Clinton and the Democrats allowed foreign interests to "buy" the US government, with Mr Dole calling it, sarcastically, reverse foreign aid. But there is no hard evidence of policy changes – towards Indonesia in particular – as a result of political donations.

In practice foreign contributions are but a drop in the ocean of the problem of campaign finance, though sensitivity to them is undoubtedly higher. Last week, the Centre for Responsive Politics, a private research group, estimated the current presidential race would end up costing $800m, three times that of 1992, with congressional contests accounting for another $800m.

Current election law permits donors to avoid the nominal $1,000 ceiling by giving directly to political parties rather than to candidates. Some of these so-called "soft dollars" may then be recycled to state parties and to individual campaigns, though the two presidential candidates may receive no more than about $10m. Both Mr Clinton and Mr Dole also get roughly $62m in federal funds apiece.

The CRP study found US business interests to be the largest donor, giving about $242m in the current election cycle, the lion's share again going to Republican candidates and causes, far more than the $35m which organised labour is committed to spending this year, almost all on behalf of Democrats.

Nevertheless, Democratic fundraising of soft dollars has become more sophisticated. About half the $107m its national committee has raised so far this year came via this route, compared with about 40 per cent of the $140m generated by its Republican counterpart.

The one likely result of the controversies, to which a cynical public appears to be paying little attention, is a new drive for campaign finance reform in the New Year. Enough prominent politicians have given up seats in Congress out of distaste for the fundraising round to ensure any commission charged with reform would have a heavyweight head. Candidates might include the loser in next month's presidential election.

Right claims Nicaragua election victory

By Johanna Tuckman in Managua


Liberal Alliance presidential candidate Arnoldo Alemán gives a thumbs-up to supporters yesterday Reuters

Liberal Alliance candidate Mr Arnoldo Alemán claimed victory yesterday in Nicaragua's presidential elections, but his Sandinista opponent, Mr Daniel Ortega, insisted the race was too close to call.

Celebrations at the Liberal Alliance campaign headquarters began just before dawn yesterday when Mr Alemán, a rightwing former mayor of Managua, proclaimed himself president-elect, claiming he would achieve the 45 per cent total needed to avoid a run-off.

Trusting in his own campaigners' calculations rather than the slow and tortured official count, Mr Alemán told his jubilant supporters: "Let's not let the past keep us back. . . we are at the start of a new era in the republic."

Sunday's vote marked the first time in Nicaragua that one democratically elected civilian government has transferred power to another. "We are going to call on all political forces of the country to join us in a national government," Mr Alemán said.

Official results from only 35 per cent of the total 9,000 polling stations released yesterday morning gave Mr Alemán 48 per cent, compared with 39 per cent for Mr Ortega.

Mr Ortega, head of the revolutionary Sandinista government in the 1980s, refused to concede and said preliminary results from a parallel Sandinista count put him 1 per cent in front.

International and national observer missions including the Organisation of American States and the EU have so far declared the elections free and fair despite administrative problems. Apart from delays caused by heavy rain, communication problems and confusion over voter documents, both vote and count were slowed by the multi-stage nature of the process.

Along with the future president, the elections will decide national and departmental deputies, local mayors and counsellors as well as their representatives to the Central American Parliament.

Use of child labour 'is diminishing'

By Nancy Dunne in Washington

Clothing factories in Central America have "significantly" reduced their use of child labour under pressure from US retailers, according to a report released by the US Labour Department yesterday.

In its third report on child labour in the international clothing industry, the department said that codes of conduct, adopted by many US retailers for their suppliers in poor countries, had produced results. However, the department called on the companies to adopt better monitoring policies to ensure that the codes are enforced.

Most of the codes were adopted under pressure from US labour and consumer groups which ran highly publicised campaigns about the plight of child labourers.

"Private industry now recognises that it can take steps to make sure boys and girls are not robbed of their childhood," Mr Robert Reich, US labour secretary, said yesterday.

"But codes are not a panacea. No code of conduct is worth the paper it's printed on without strict enforcement."

The report defines child labour as work performed by children under the age of 15. It distinguishes between "light work" after school as well as legitimate apprenticeship programmes and work performed under hazardous or insanitary conditions.

To study the implementation of codes of conduct, Labour Department officials visited 74 factories in the Dominican Republic, El Salvador, Guatemala, Honduras, India and the Philippines.

The officials concluded that child labour is "not now prevalent" in the export industries of Central America.

"Foreign suppliers that are owned by or contract directly with a US corporation seem subject to the most frequent and thorough monitoring," the report said. "Meanwhile it appears that Indian and Filipino children continue to sew, trim, embroider and pleat for subcontractors."

Many work in their homes where there is no monitoring.

The department attributed the "potential downward trend" in the use of child workers to worries by subcontractors that they could lose business by using child labour, and concerns that importing countries may enact legislation banning import of products made by children.

The report noted that international media attention and threats of boycotts and cancelled work orders had led to the dismissal of thousands of child workers – with no safety net in place.

Employers have often argued that children working in poor conditions are better off than those who have no jobs at all.

"It is possible that in the absence of government programmes to assist the children, the precipitous dismissal of child workers can endanger, rather than protect them," the report acknowledged.

"More research is needed so that governments, industry, international organisations and others concerned with the welfare of children are better equipped to design appropriate programmes."

The Apparel Industry and Codes of Conduct: A Solution to the International Child Labour Problem? US Department of Labour, Child Labour Office, Washington DC 20210; Tel 202 208 4843.

Latin Americans back economic integration

By Stephen Fidler, Latin America Correspondent

A majority of Latin Americans support economic integration in each of 17 countries in the region, though the majority in favour of the concept is smallest in Mexico, a series of new opinion polls shows.

The polls, by the Latinobarómetro group of opinion researchers, showed on average 58 per cent of Latin Americans in favour of economic integration, even when it implied some sacrifices, and 21 per cent against.

In Mexico, 45 per cent favoured integration while 39 per cent opposed it, while support was otherwise weakest in central America, particularly Guatemala and Honduras. All the polls used the same questionnaire and the same methodology.

Colombians were the most supportive, with 83 per cent favouring integration and only 8 per cent opposing, followed by Bolivians, Argentines and Ecuadoreans.

An average 38 per cent of Latin Americans said their country was benefiting a lot or a fair amount from regional trade accords, while a further 30 per cent said it was benefiting slightly. Bolivians saw most advantage (50 per cent), followed by Argentines, Brazilians and Ecuadoreans. At the other end of the spectrum, only 26 per cent of Colombians perceived any actual benefit from such accords.

The polls, conducted for the forthcoming Ibero-American summit in Santiago which will bring Spanish and Portuguese leaders together with those from Latin America, also showed a majority in most countries preferring democracy over authoritarian governments. However, only in Uruguay and Costa Rica did the number of people saying they were satisfied with the working of democracy exceed those who were dissatisfied or not very satisfied.

NEWS: INTERNATIONAL

Mass exodus as fighting flares in Zaire

By Michela Wrong in Nairobi and Antony Goldman in London

Up to 250,000 people were on the move in eastern Zaire yesterday, fleeing increasingly bitter fighting between the Zairean army and an isolated community of Tutsis ordered to leave by the local authorities.

The mass exodus came amid unconfirmed reports of Rwandan gunmen crossing into Zaire to attack army positions and Hutu camps in north Kivu province raised fears that the Rwandan army, at loggerheads with Zaire, was preparing an all-out offensive against its neighbour.

In London, Mr Kengo Wa Dondo, Zaire's prime minister, accused the Rwandan government of arming the ethnic Tutsi Banyamulenge community in Zaire and directing a war against Zaire. "They are acting like the detonator for a huge explosion which may engulf the entire region," he said.

But the Tutsi-dominated Rwandan army denied any involvement in the infiltrations by Rwandan Tutsi gunmen near the Zaire border town of Goma. "We are not involved in operations in north Kivu," said Major Wilson Rutayisire.

The abrupt emptying of 12 camps near the town of Uvira, holding 220,000 Burundian and Rwandan refugees, was triggered by four days of fighting between the ill-disciplined Zairean army and Banyamulenge fighters. The United Nations said refugees appeared to be heading north to the town of Bukavu or hiding in the hills.

The exodus is the biggest movement of people seen in the region since nearly 1m Hutus streamed across the border following the 1994 genocide of Rwanda's Tutsis. It shows how deeply that atrocity destabilised neighbouring countries, spreading the hatred between minority Tutsis and majority Hutus to the entire Great Lakes region.

Many of the 1994 exiles were Hutu *Interahamwe* militiamen who had helped organise Rwanda's killings. Looking for new land to settle, their attention focused on fertile areas held by Tutsis who had settled in Zaire generations earlier.

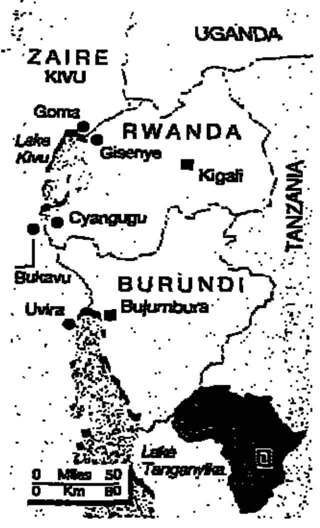
Helped by the Zairean army, they cleared thousands of Tutsis from the Masisi region in north Kivu earlier this year, then used the area as a base for cross-border raids into Rwanda. By the time their attention switched to south Kivu's Banyamulenge, that 400,000-strong community had armed itself.

Diplomats say Rwanda, angered by Zaire's support for the *Interahamwe*, has probably been covertly arming the Banyamulenge. When the deputy governor ordered the Banyamulenge to leave a fortnight ago or be treated as rebels, heavy fighting exploded. Although the governor was subsequently suspended, local Zaireans have nevertheless taken him at his word.

Analysts say the illness of Zairean President Mobutu Sese Seko has contributed to the anarchy. As the president recuperates in Switzerland from a prostate operation, local authorities have been encouraged to take the law into their own hands with disastrous results.

With Rwanda and Zaire increasingly antagonistic, many fear Burundi will be dragged into the conflict. Uvira is a base for Hutu rebels campaigning against the new Tutsi regime in Bujumbura. Just as those guerrillas have been working alongside the *Interahamwe*, Burundi and Rwanda's army have been co-operating in the field, bringing a regional Hutu-Tutsi war ever closer.

Mr Ibrahima Fall, the UN under-secretary general recently dispatched to the zone, was holding talks with local leaders in Bukavu yesterday to try and defuse the tension. But with Zaire reinforcing and resupplying its troops, hopes of a lull seemed faint.



The great game goes another round

Sander Thoenes reports from Mazar-i-Sharif on hopes of peace amid shifting Afghan alliances

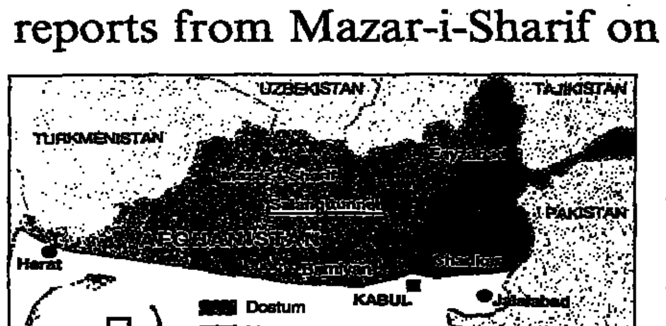
As the armoured black Lincoln of General Abdul Rasheed Dostum sped past the rice paddies and orchards of the Salang Valley, with 20 jeeps in tow, his spokesman nodded at a crater in the road.

"That's where Ahmed Shah Masood's fighter planes attacked one of our convoys," said General Mohammed Yusuf, adding that his commander had a lucky escape.

Until last spring, Gen Dostum, the ethnic Uzbek chieftain who has turned much of northern Afghanistan into his personal fiefdom, was bitterly at odds with the mainly Tajik forces headed by Mr Masood.

Since last month's takeover of Kabul by the Taliban Islamic militia, the two northern commanders have tentatively settled their differences, to make common cause against the capital's new masters.

Still, nothing seems fixed in the awkward triangle formed by the Uzbek general, Mr Masood and Taliban which is dominated by the Pashtun, Afghanistan's largest ethnic group.



Experts on the region see in Gen Dostum, who holds sway from a clay fortress that looks medieval although it was built last century, the "swing factor" in the latest conflict.

The pro-Masood forces will be hard pressed to drive Taliban out of Kabul without Gen Dostum's help. Nor can Taliban have much hope of holding on to its gains unless it is prepared to compromise with him.

The earlier enmity between the two northern commanders is still vividly highlighted by the battle debris which litters the region. The rice paddies are dotted with carcases of tanks, stripped to the last bolt.

Limping children, the victims of land mines, are a common sight in the area where the two warlords waged fierce battles for control of the Salang pass connecting northern Afghanistan to the capital.

But memories of this blood-letting were set aside last week when Gen Dostum met his Tajik rival in a steel trailer in the narrow, strategically vital thoroughfare, not far from the Salang tunnel which the Uzbek commander firmly controls.

The two warlords sketched out a plan for a broad coalition of commanders and ethnic groups, and a joint approach to Taliban.

"We have battled for 18 years, it is time for forgiveness," said Gen Yusuf. "Should we continue until everyone is dead? We've fought enough."

Since then, both Taliban and Mr Masood have expressed verbal support for a broad coalition but continued fighting.

With limited artillery attacks, Gen Dostum has made clear to Taliban that he will fully back Mr Masood unless Taliban agrees to his ceasefire offer.

Observers have been surprised that Gen Dostum came out so strongly for peace between Taliban and pro-Masood forces, who were hardly threatening him by attacking each other.

Protected by the Hindu Kush mountains, he has created a calm and relatively prosperous empire for himself called Northern Part of Afghanistan.

His frowning features and pudding-basin haircut adorn many public places. The statelet has its own flag, currency, airline and ruling party, the National Islamic Movement or Jinbush.

Most important, Gen Dostum commands Afghanistan's strongest army and could hold the Salang pass if anyone were to attack. But he apparently reckoned that since neither Mr Masood nor Taliban could prevail without his support, his faction could barter for a significant role in any coalition government in Kabul.

"No one can solve the problems of Afghanistan without Jinbush," Gen Dostum said last week.

But as many Afghans acknowledge, last month's victories by Taliban showed that nobody can tackle the country's problems without that movement either.

"We have no plans to destroy the Taliban," said Mr Haji Mohammed Mokhakek, one of the leaders of a Shia minority which supports Gen Dostum. "They represent part of Afghanistan too."

At least indirectly, Taliban also represents Pakistan, while Gen Dostum receives support from Russia and Uzbekistan and the Shia get backing from Iran.

All these neighbours have in recent days pressed for peace talks.

But observers believe that a coalition including Gen Dostum, Mr Masood and Taliban could be even less stable than the most recent Dostum-Masood alliance which collapsed two years ago.

Many Afghans fear that it will prove easier simply to carve up Afghanistan along the current front lines, which correspond roughly to ethnic divisions.

Only Herat, home to many Shia but under Taliban rule, is an exception – but some of Mr Masood's aides have predicted he will attack that city soon.

Dostum supporters say the country will not be partitioned. "Nobody is talking about carving up Afghanistan," said Gen Yusuf, the spokesman. "Here one hundred per cent of the people want Afghanistan to stay united."

In the end, a more important factor may be what is wanted by Gen Dostum, whose name literally means "good friend".

The Uzbek warlord seems keen to be friends with both his main enemies – but only for now.

INTERNATIONAL NEWS DIGEST

Tax raid angers News Corp

Mr Rupert Murdoch is prepared to be interviewed by Israeli tax officials by telephone, Mr Arthur Siskind, News Corporation's general counsel, said yesterday. This follows Sunday's raid by Israeli tax officials on the offices of News Datacom Research, a subsidiary of News Corporation, Mr Murdoch's media and entertainment group. Israeli tax officials suspect News Corporation of tax evasion, involving the concealment of $150m in income. Mr Siskind said News Corp had been talking to Israeli authorities for nine months and "nobody has ever asked to talk to Mr Murdoch". Mr Murdoch has no personal knowledge of the issues, but Mr Siskind would be "happy to arrange a phone interview if that would satisfy everyone".

News Corporation said it was "outraged" by the raid, having been assured "as recently as three weeks ago" that News Datacom Research was not under investigation. Income tax officials said they were investigating a number of law and accountancy firms which worked for News Datacom Research. The tax authorities said they had "sufficiently well established" information to back their suspicions.
William Lewis, London and Avi Machlis, Jerusalem

Hopes retreat of Hebron deal

Mr Dennis Ross, the US Middle East peace co-ordinator, said yesterday he was returning to Washington, damping hopes of an imminent agreement for the long-delayed Israeli troop redeployment from the West Bank town of Hebron. "There were hopes that we could finalise in some areas. That did not materialise," said Mr Ross who was instrumental in bringing Israeli and Palestinian officials back to the negotiating table earlier this month. However, he said he would return when the time was "right and appropriate," adding there were still "delicate issues" to be negotiated.

Mr Hassan Asfour, one of the chief Palestinian negotiators, said his return to the US did not signal a crisis, emphasising that the talks would continue while Israeli officials insisted both sides were seeking an agreement. Mr Asfour said the security for the 415 Jewish settlers in central Hebron was still the sticking-point, with the Israelis demanding buffer zones for their protection as well as the right of "hot pursuit" into Palestinian-controlled territory. *Judy Dempsey, Jerusalem.*
Editorial Comment, Page 13

Japan beats India to UN seat

India, which torpedoed the comprehensive nuclear test ban treaty, and Australia, which rescued the pact through subsequent unorthodox United Nations measures, last night both lost their bids for security council seats. Japan, which waged a vigorous campaign including expenses-paid visits to Tokyo by Third World delegates, ostensibly to discuss development projects, crushed India in the contest to fill the rotating seats on the Security Council.

In the race for two seats allocated to western Europe and the "old" Commonwealth states, Sweden won on the first ballot with 153 votes. Neither Portugal nor Australia, the other candidates, received the required two-thirds majority. But in a second round, Portugal was elected with 124 votes to Australia's 57. Some diplomats accused the Portuguese of using their membership of European and Atlantic institutions to win the votes of states aspiring to join them. *Michael Littlejohns, New York*

Managing director questioned

Court hears of Scandex forex losses

By Clay Harris in London

The head of a company whose customers lost more than £1m ($1.58m) on high-risk currency trades yesterday was unable to name a single investor who had not made a "thumping loss".

Under cross-examination in the High Court about the remaining funds of clients of Scandex Capital Management, Mr Jeremy Bartholomew-White was asked to explain the dwindling balances in accounts held in Denmark and Switzerland.

The Securities and Investments Board is seeking to bar Copenhagen-based Scandex, and Mr Bartholomew-White, its managing director, from doing investment business in the UK.

Mr Philip Heslop QC, for the SIB, said: "I can't find any investor in any currency, no matter how denominated, who didn't make anything other than a thumping loss. Is that right?" Mr Bartholomew-White replied: "No, it's not."

After several minutes of silence, while Mr Bartholomew-White went through the client records, Mr Heslop said: "It's quite tricky to find, isn't it?" Mr Bartholomew-White said: "It's the nature of the business."

On evidence disclosed by Scandex last week, total losses of named clients exceeded £1m of the £1.28m they invested. This appeared to leave a balance of £260,000, but this had since fallen to £140,000, at most. Mr Bartholomew-White said: "Since then, the market has turned against the open client positions."

Under questioning, Mr Bartholomew-White said all of Scandex's foreign exchange trades had been made through two Geneva-based entities, CDC and Republic Finance and Trading. They operate from the same address and use the same telephone number.

Mr Bartholomew-White said CDC had split into two parts, renaming its trading arm Republic Finance and Trading. When Mr Heslop asked who owned or ran Republic, he said he did not know. "You must know the name of a managing director, leading shareholder or chief executive," Mr Heslop insisted. "The name escapes me," answered Mr Bartholomew-White.

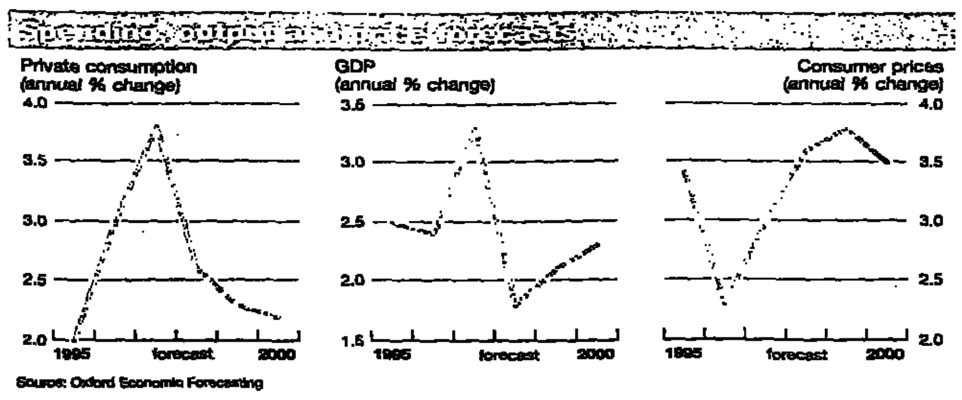
The SIB counsel then asked whether a Mr Stephen Wheatley was connected with either company. "I believe he is a consultant to one of the firms, in fact he's a consultant to both," Mr Bartholomew-White said.

He added: "I've known Stephen Wheatley for a number of years socially and come across him in a business context." He said Euro Currency Corporation, his London-based foreign exchange trading company which ceased trading in April, had traded with CDC.

Mr Justice Chadwick had ordered Scandex to transfer to the UK all funds owned by British investors. He said yesterday there was no evidence his order had been complied with. Mr Bartholomew-White acknowledged he had asked for the return of the balance of only one of 11 accounts held at Den Danske Bank but the bank was being "far from helpful". The hearing continues today.

Tax cuts 'would be very difficult to justify'

By Gillian Tett, Economics Correspondent



The UK government is to be issued today with a stern warning against unveiling large tax cuts in next month's Budget.

Oxford Economic Forecasting, an independent research group, argues in a report that the high level of government borrowing and forecast surge in consumer spending makes tax cuts "very difficult to justify".

Although the government might be able to offer some £2bn ($3.12bn) worth of reductions, "it is hard to imagine that this will do anything for the Tories' elections hopes," the group adds.

The findings echo a City-wide consensus that the chancellor of the exchequer would be ill-advised to make any drastic reductions. The chancellor himself has played down tax cuts, but political pressure is mounting.

Some MPs from the governing Conservative party want the chancellor to make reductions in the basic rate of income tax, in order to present voters with a "sweetener" before the general election next spring.

However, OEF argues the chancellor should cut interest rates rather than taxes, to boost manufacturing investment which has been weak this year.

The outlook for consumer spending, by contrast, is already upbeat. Retail sales figures to be published tomorrow are expected to show a slower rate of growth in September than in August. However, retailers are forecasting a sharp increase in spending.

OEF forecasts private sector consumption growth of 3.75 per cent next year – almost double last year's level. OEF expects this to push consumer prices up 3 per cent in 1997 – outside the government's inflation target – and so argues there is little need for stimulus.

Meanwhile, the slow decline in government borrowing also means any net tax cuts could be inadvisable, the report adds.

Although OEF expects between £2bn and £3bn worth of cuts – equivalent to about 2 pence off the basic rate of tax – it argues these should be matched with spending cuts. This view is shared by many Treasury and Bank of England officials, who are concerned that the recent slippage in public finances will mean the UK may not qualify for European monetary union.

UK monetary authorities are keen to ensure Britain has the option of joining, to avoid being punished by the financial markets.

However, current projections suggest the gross government deficit will be around 3.5 per cent of gross domestic product in 1997 – well above the 3 per cent needed for Emu.

Martin Wolf, Page 13

Estate agents faced with shortage of property

By Andrew Taylor, Construction Correspondent

Housing markets are suffering a property famine with the number of homes for sale at its lowest ebb for eight years, according to a survey of more than 100 estate agents published yesterday.

Shortages were worst in southern England but were "fast becoming a problem for all regions", according to the Royal Institution of Chartered Surveyors (RICS), which conducted the study.

Some of the biggest house price increases have occurred this year in south-east England, particularly in central London where prices, according to Halifax building society, have risen 10 per cent since the third quarter of last year.

The institution said yesterday that some owners were delaying putting properties on the market in "over-optimistic" expectations of further price rises.

The number of homes for sale in England and Wales had fallen by a third during the three months to September 30 compared with the same period last year and was the lowest since December 1988.

Mr Rob Thomas, building societies analyst at UBS, said: "Big price falls in previous years mean that many people would have little equity to put down as deposit, should they decide to move. These will have to wait for prices to rise before they can afford to go back into the market."

UBS is forecasting average price rises nationally of 10 per cent next year, and up to 15 per cent in London, with the number of house sales also rising as more owners are priced back into the housing market.

According to the RICS the balance of agents reporting price rises against price falls rose to 43 per cent during the third quarter of this year the highest proportion since September 1988.

Central London tourism sites may ban traffic

By Liam Halligan, Political Staff

Plans to ban traffic from some of central London's most famous tourism areas moved a step further yesterday when Westminster City Council was awarded £125,000 ($195,000) by the Heritage Lottery Fund, which allocates money raised by the National Lottery, to help carry out a feasibility study of proposals to revitalise the entire Whitehall area.

"The aim is to take the heart of London into the 21st century and give it the look befitting a world-class city," said Mr Melvyn Caplan, leader of Westminster City Council, the local authority for the area.

The study will consider banning traffic from the north side of Trafalgar Square alongside the National Gallery and the south side of Parliament Square among other pedestrian-friendly measures. Additional proposals include improving pedestrian access, lighting and street furniture.

Lord Rothschild, chairman of the Heritage Lottery Fund said: "This study will, if implemented, greatly enhance public access to and appreciation of one of the most famous spaces in Europe."

Last year London had a record 23.6m visitors, with more than 13m from overseas, up almost 18 per cent on the previous year. This year 28m tourists are anticipated.

Westminster Council has invited six teams of consultants to bid for the job of carrying out the study, with a decision expected on 12th November. The winner will be asked to produce a "master plan" for the "Whitehall Conservation Area", including Horseguards Parade as well as Trafalgar and Parliament Squares.

An Italian firm of architects has won a competition to design a new development for the headquarters of the Department of the Environment, widely regarded as one of central London's ugliest buildings, Simon London writes.

The submission by Tagliaventi & Associates, proposes a mix of offices, shops, flats and a swimming pool for the Westminster site.

The winning design, announced yesterday by Mr John Gummer, environment secretary, was out of more than 200 entries.

About 2,000 civil servants occupy the office towers at 2 Marsham Street. They will move next year to new buildings in central London.

Although the Italian firm has scooped a competition prize of £25,000 ($39,000), there is no guarantee that the design will become a reality. The government has not decided whether sell the building to the private sector or redevelop the site under the private finance initiative scheme.

● London's Wembley stadium seemed certain to be named as the new national arena after the football, athletic and rugby league authorities announced they were backing the venue over a rival bid from the city of Manchester, Patrick Harverson writes.

At least £100m of lottery funding is being made available to help build the new stadium. The British Athletic Federation said it chose Wembley because it believed the site would give Britain a better chance of one day hosting a future Olympic games.

NEWS: UK

Boost for government private funding plan

By Alan Pike and Mark Suzman

The government yesterday made a determined attempt to boost private sector confidence in the Private Finance Initiative, which this year will fall short of its £1.9bn ($2.96bn) target.

Mr Kenneth Clarke, the chancellor of the exchequer, told a London conference the government would be "forging an alliance for progress" between the Treasury and the Confederation of British Industry, the UK's largest employers' lobby, which has been highly critical of aspects of the PFI's implementation.

The moves mark an effort to simplify the convoluted bidding process which, contractors and banks complain, is costly and ineffective. As well as the projected shortfall this year, Mr Clarke needs to accelerate the process to meet next year's budget of £2.6bn.

But while Mr Adair Turner, the CBI director-general, welcomed Mr Clarke's invitation to work more closely with the government, he again warned that the success of the initiative was "somewhat in the balance".

Similarly, Mr Alastair Darling, Labour chief secretary to the Treasury, said that while the opposition party supported the principle behind PFI, the programme had failed to deliver "significant results" and further changes were still needed.

He said the government had wasted time and money by failing to set priorities for PFI schemes – under which the private sector design, build, finance and operate public sector projects – or properly assess their long-term revenue implications. "We must be satisfied that PFI will not be used as a method of creative accounting or an attempt to circumvent budgetary controls on public expenditure," he said.

The chancellor responded to critics of the PFI process by issuing guidance documents, including a set of basic contract terms designed to address complaints of having to "reinvent the wheel" every time a PFI contract was negotiated. Other documents issued yesterday included a guide on equity transfer and guidance on PFI and European Union rules.

Mr Clarke also gave public sector managers an assurance that the National Audit Office's reviews would simply seek to satisfy itself that the procurement process was managed effectively, and that risk transfer was addressed in a "sensible, defensible way".

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Casinos get lucky with the law

Plans to ease gambling regulations have buoyed hopes for growth

The casino industry is poised to cash in after the government announced last week the first of a series of long-awaited measures aimed at easing the regulations under which the £2.5bn ($3.9bn) industry operates.

Casinos in England and Wales will be able to serve alcohol until 3am in London and 2am elsewhere, emulating the relaxed drinking hours which Scottish casinos have enjoyed for 20 years.

The 48-hour rule, which prevents anyone from playing in a casino until two days after applying for membership, will be relaxed to 24 hours. The Home Office said it hoped the measures would become law by next April.

Mr Timothy Kirkhope, Home Office minister, also said last week that he would lay a draft order allowing payment by debit cards in casino and bingo clubs. An announcement about an increase in the number of towns in which casinos may operate, from 53 to 66, is also expected soon.

While the industry would like more wide-ranging reforms, it is relieved that the first are emerging. "These changes have been 30 years in the making. Something is now happening and that is positive," said Mr Neil Chisman, finance director of Stakis, one of the UK's biggest casino operators.

However, Mr Alex Kyriakidis, partner at Arthur Andersen, the accountants, believed the government had missed an opportunity to capture more spend from tourists by stopping short of abolishing the 48-hour rule.

Tourists account for more than two-thirds of the drop – the amount exchanged for chips – in London casinos. London itself is the biggest casino market in the UK, with two-thirds of the total £2.5bn annual drop. Casino operators in the capital would prefer the abolition of any "cooling off" period before playing but provincial operators are delighted at the change, according to Mr Brian Lemon, general secretary of the British Casino Association.

The government's deregulation of casinos is part of a worldwide liberalisation trend. Gambling is becoming increasingly socially acceptable while governments look to it as a source of revenue.

Countries which are considering, or are in the process of legalising casino gambling, include Mexico, South Africa and the Republic of Ireland. But the US remains by far the biggest casino market. Mr Chisman said it was difficult to quantify the scale of growth in the UK once all the deregulatory measures were in place, but added: "We would still be a million miles away from Las Vegas."

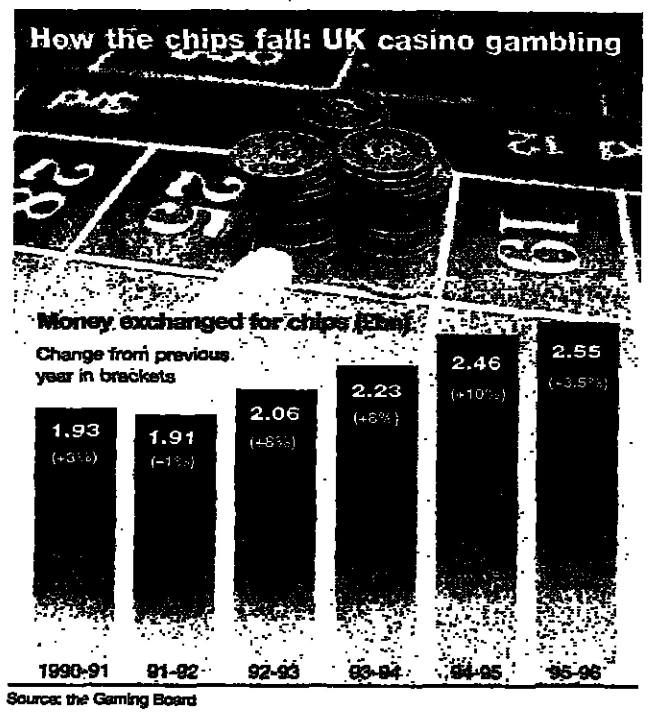
The catalyst for change in the UK has been the government's successful entry into the gambling industry through the National Lottery two years ago.

But pushing changes through has been slow and the more far-reaching measures – allowing changes to the number and type of jackpot machines, limited advertising and postal membership applications – will be subject to a second round of consultation this year.

Casinos want to be allowed to advertise in local newspapers and to be listed in tourist brochures.

Mr Lemon believes that one reason why only 2 per cent of the population has been to one of the UK's 119 casinos is because they do not know what they are like. "Half the population thinks of Al Capone and the other half thinks of James Bond," he said. Mr John Garrett, managing director of recreation at Rank Organisation, the UK's biggest casino operator, argued that casinos provided entertainment rather than hard-core gambling. "The average casino member visits his club once a month, spends four hours in it and spends £20 or less."

Scheherazade Daneshkhu



Source: the Gaming Board

Skills shortage 'threatens to restrict growth'

By Richard Wolffe, in Birmingham

Skills shortages are threatening to restrict economic growth in England's east Midlands region, according to a quarterly survey of 600 manufacturing and services companies published yesterday.

The recruitment of skilled manual workers is one of the greatest problems facing manufacturers in the region, as 29 per cent of companies reported difficulties dealing with the shortage of labour.

That represents a sharp increase over the previous survey, when 20 per cent said they had experienced similar shortages. However the east Midlands chambers of commerce, which led the survey, warned that skills shortages were also threatening the performance of the services sector among professional and managerial staff.

Mrs Lynne Imeson, director of policy at Nottinghamshire Chamber of Commerce, said accountants in particular "were experiencing shortages. "A lot of firms which cut back during the recession stopped training people five years ago and now they have nobody coming through, especially in their taxation and audit departments," she said.

The chambers' findings are backed by another survey in the region by Leicester City Council and Grant Thornton accountants earlier this month, which revealed that 40 per cent of companies in the Leicestershire area were finding it hard to recruit staff. In the clothing and textile sector, 85 per cent of companies said they had "major problems" in finding skilled manual workers.

The Leicester survey says the problem is not confined to manufacturing, as around 30 per cent of 700 companies in the county reported shortages of both professional and clerical staff.

The Engineering Employers Federation in the east Midlands said its members faced problems finding engineers with computer skills, as well as managers with information technology skills. Mr Nigel Chubb, director, said the situation had been worsened by the trend among larger manufacturers to out-source and sub-contract work to smaller companies. "Smaller companies are finding it difficult to cope because they have not traditionally been very well geared up to support training," he said. "This is particularly a problem after you get a severe recession, when companies get out of the mode of training, and it is likely to accelerate."

UK NEWS DIGEST

Argentine arms deal denied

The British and Argentine governments yesterday denied media reports that they had made a secret deal to relax the UK arms embargo against Buenos Aires in return for the opening of oil concessions in the south Atlantic.

The UK Foreign Office said there was "no link" between the agreement made last year on oil exploration in the south Atlantic and the arms embargo which has been in force since the 1982 Falklands war.

A similar denial was issued in Buenos Aires. There was "no truth" in the story that Britain had slackened the embargo against supplying spare parts to the Argentine navy in return for conclusion of a south Atlantic oil agreement, Mr Andrés Cisneros, Argentina's deputy foreign minister, said.

The Falkland Islands government said in July it had received bids for drilling licences from 14 oil companies and it would award concessions by the end of the year.

The UK arms embargo against Buenos Aires was highlighted last week by a Channel 4 television documentary, in which a British businessman alleged that MI6, the intelligence service, encouraged him to procure spare parts for the Argentine navy.

While declining official comment on these allegations, British officials said privately that any procurement activities Mr Russell may have engaged in were not at the UK government's behest. *David Pilling and Bruce Clark*

■ RETAILING

Stores review toy gun sales

Retailers were yesterday reviewing their policy on toy guns as Selfridges, the London department store, announced a ban on replica and look-a-like weapons.

The department store said it was withdrawing guns that "look and feel like the real thing" in direct response to the government's plans to ban the real weapons following the tragedy of the Dunblane massacre earlier this year. Selfridges' actions follow similar moves from the UK's largest toy retailers. Toys R Us stopped buying replica weapons two years ago and over the last few weeks has been taking the remaining stock off its shelves. After a gunman shot 16 children and an adult at Dunblane, Hamleys, the specialist retailer, withdrew guns from its shelves, Harrods, which withdrew replica guns the day after Dunblane, yesterday went a step further and withdrew so-called fantasy weapons such as water pistols from sale. *Peggy Hollinger*

■ AEROSPACE

BA's Middle East plan falters

British Airways has abandoned plans to hand over the running of loss-making flights to Beirut, Amman and Damascus to British Mediterranean, a small independent carrier. British Mediterranean, which operates its own flights to the same cities, failed to meet British Airways' conditions for the proposed franchise agreement under which British Mediterranean would have run the services in BA's colours.

BA said the services would continue since they provided valuable passengers for other routes. British Mediterranean said it would continue its existing services but declined to comment on its future plans. The airline is owned by a consortium of US, Lebanese and British investors. *Stefan Wagstyl*

LAW

Ships ruling upheld

EUROPEAN COURT

The Court of First Instance upheld a Commission decision that three shipping conferences infringed Article 85 of the EC treaty and that the members of one had also infringed Article 86. The fine imposed by the Commission on the member companies was, however, reduced by 10 per cent.

The judgment addressed four joined cases, all actions for the annulment of the Commission decision. The principal parties included the Belgian shipping group Compagnie Maritime Belge, its subsidy Dafra-Lines, the German shipping company Deutsche Afrika-Linien (DAL), and the Dutch shipping concern Nedlloyd Lijnen. Each was a member of the shipping conference Associated Central West Africa Lines (Cewal). All operated a regular liner service between the ports of Zaire and Angola and those of the North Sea excluding the UK.

The CFI examined the four main pleas put forward by the applicants. First DAL alone alleged procedural defects affecting the validity of the decision. This argument was based upon the change in the legal identity of DAL during the course of the Commission proceedings. The court rejected the claim that the rights of the defence had been breached or that DAL was not the addressee of the decision.

Second, the court dealt with the applicants' plea alleging that there had been no infringement of Article 85(1) of the EC treaty prohibiting anti-competitive agreements. The court rejected the submission that there were no agreements between conferences and found that the practices in question could not qualify for exemption under the relevant regulation. The court stressed that it did not assist the parties to argue that the annual aims of a shipping conference had been recognised to be beneficial as this did not signify that every impairment of competition brought about by shipping conferences fell outside the prohibition laid down by Article 85(1) of the treaty.

Third, the court addressed the plea that Article 86 of the EC treaty, prohibiting abuse of a dominant position, had not been infringed. The court concluded that in view of the evidence set out in the Commission decision the shipping companies formed a common entity, the Cewal shipping conference, and that it was necessary to assess the position of Cewal members on the relevant market collectively.

The court stressed that quite apart from the agreements concluded between the shipping companies creating the Cewal conference, there were links between the companies such that they adopted uniform conduct on the market. In those circumstances the Commission was fully entitled to consider that Article 86 could potentially apply.

The court also dismissed the applicants' contentions concerning the Commission's approach to measuring market share and rejected their plea alleging absence of abuse.

Fourth, the court considered the arguments that there had been no effect on intra-Community trade and that the markets concerned were not part of the common market. In relation to article 85, the court found that the agreements between conferences were aimed at partitioning the market in maritime services offered by Community undertakings and were also capable of indirectly affecting competition between the Community ports covered by the agreements.

Joined Cases T-24/93, 25/93, 26/93 and 28/93. Compagnie Maritime Belge Transports SA and others v Commission CFI (3rd CH, extended composition), 8 October 1996.

BRICK COURT CHAMBERS BRUSSELS

INTERNATIONAL PEOPLE

Zurich's Hänggi goes to Roche

Rolf Hänggi's appointment as a vice-chairman of Roche strengthens the boardroom ties between the Basle-based Swiss drugs giant and Zurich Insurance, Switzerland's second biggest insurer. Fritz Gerber, 67, Roche's chairman and chief executive, started his career at Zurich and only retired as chairman there last year. Hänggi, 53, retires next year after a decade at the top of one of the world's most successful insurance companies.

His departure ends a successful partnership between Zurich's two top executives. Hänggi became deputy chief operating officer in 1988 when Rolf Hüppi became chief operating officer. When Hüppi moved up to chief executive three years later, Hänggi became deputy.

However, when Hüppi added the title of chairman last year he did not relinquish the job of chief executive: this may help explain Hänggi's decision to move on. He will step down from Zurich's board but will continue as chairman of Rüd. Blass & Cie, a small bank bought by Zurich Insurance a couple of years ago. *William Hall, Zurich*

Frazier for Invesco

Invesco, the UK fund management group, has appointed A.D. Frazier (left) – whose last job was as chief operating officer of the Olympic Games in Atlanta – as executive vice-president. His role will be to oversee relationships with Invesco's institutional clients in the US and to bring expertise to the Invesco board in advance of a possible merger with Aim, a US fund manager.

Charles Brady, executive chairman of Invesco, said Frazier's "masterful oversight" of the games demonstrated his management expertise. Invesco added that although the organisation of the Games had been criticised in the UK and other countries, in the US it was regarded as a great success.

Frazier, 52, was executive vice-president in charge of the North American banking group of First Chicago Corporation and First National Bank of Chicago until 1991. Born in North Carolina, he has connections with the US Democratic Party and headed the team that reorganised the White House and the Executive Office of the President under Jimmy Carter. *Roger Taylor, London*

Coles Myer changes

Coles Myer, the Australian retail giant that has been the focus of much institutional concern over corporate governance standards, is to invite Paul Collins, chief executive of New Zealand's Brierley Investments, and Martin Myer, a member of the founding Myer family, to join the board.

Brierley has a 6.8 per cent stake in the company, while the Myer family retains 8.6 per cent. Both appointments will be put to shareholders at the November 19 annual meeting. Stan Wallis, managing director Australian paper and packaging group Amcor, who joined the board on May 1, will succeed Nobby Clark as Coles Myer chairman, from July. No deputy chairman is being named.

The Coles board is also endorsing the reappointment of Solomon Lew as a director. Lew, the former chairman of Coles, was at the centre of the row over corporate governance standards. He was forced to step down from the chairmanship and some matters are still being reviewed by the Australian Securities Commission. However, Lew has remained a board member at the retail group. This, too, will be put to shareholders on November 19. *Nikki Tait, Sydney*

Lieven hands over

Theo Lieven, founder and chief executive of Vobis, Europe's largest computer retailer, is handing over management of the company to his deputy, Gert Hügler. Lieven will continue as a consultant to Vobis but will devote most of his time to a new classical music shop which he plans to open in Berlin next month, the company said.

Lieven and Rainer Fraling, who together founded Vobis in 1975, are negotiating the sale of the 15.75 per cent stakes they each hold in the company to Metro, the Swiss-German retail group which already holds 58.5 per cent of Vobis. The remaining 10 per cent is held by Siemens-Nixdorf, the computer subsidiary of the Siemens electronics group. Hügler, 39, joined Vobis several years ago from the printing and media group Bertelsmann. *Michael Lindemann, Bonn*

Marketing Philips

A couple of years back Gérard Dufour, a French advertising executive, wrote four words in English which have just landed him the top marketing job in Dutch industry: "Let's make things better".

The slogan became the centrepiece of Philips' product campaigns worldwide. And when Cor Boonstra, who commissioned it, took over as president of the Eindhoven company this month, one of his first actions was to make Dufour senior director of marketing.

Dufour, 47, says of the newly created post, in which he will report directly to Boonstra: "Worldwide brands are rare, so no ad man would have let this opportunity pass by." Boonstra, proclaiming him a custodian of the Philips brand, told staff the company needed to "dramatically improve our collective ability to anticipate, meet and even exceed the demands of the marketplace."

On Thursday Philips is expected to unveil another round of restructuring, aimed at stemming a profits collapse. It has already this year announced 6,000 job cuts and a shake-up at its corporate headquarters. *Gordon Cramb, Amsterdam*

ON THE MOVE

■ Goeran Lindahl has been named chief executive of ASEA BROWN BOVERI, replacing Percy Barnevik who will remain as chairman. Renato Fassbind takes the new position of finance director and Sune Karlsson replaces Lindahl as head of ABB's power division. Lindahl, who formerly ran the group's power transmission and distribution businesses, has been with ABB since 1971.

■ Dan Quayle, former vice-president of the United States, has resigned from the board of AMTRAN, the holding company for American Trans Air.

■ Michael Weilbacher, 46, rises to vice-president and general manager of TANDEM COMPUTERS' European division. He became managing director of Tandem Germany in 1993 and has since added responsibility for Switzerland, Austria and central and eastern Europe.

■ Pierre-Alain Jeanneney, 44, has been appointed adviser to the chairman of AIR FRANCE. He is replaced as assistant general manager finance and administration at Compagnie Air France Europe by Frederic Gagey, 40.

■ Franco Angioni, former commander of Italian troops in Lebanon, becomes managing director of MARCONI of Genoa and chairman of MAC Alenia Marconi Communications.

■ Ton de Boer has been appointed chief executive of ABN AMRO's Asia Pacific region. Previously vice-chairman of ABN AMRO North America, he will supervise a rapid expansion by the Dutch banking group in Asia.

■ Mika Sulin has been appointed managing director of HARTWALL AREENA, the new indoor ice hockey stadium under construction in Helsinki. He joins from Nike's office in Stockholm where he was managing director.

■ Jim Pantelidis, executive vice-president of Petro-Canada, joins the board of CELANESE CANADA, part of the Hoechst Group.

■ Tim Pogue has resigned as president of the development division at RIDE, the world's second largest manufacturer of snowboards. He will serve as a consultant until the end of the year.

■ INTERIM SERVICES, a $1.5bn US provider of home health services, has appointed Robert Evans as chief information officer, reponsible for systems planning and development. He previously worked for AT&T.

■ Philip Verdi becomes executive vice-president, international business development for NATIONAL DATA CORPORATION. He was previously executive vice-president of electronic services at MasterCard International.

■ James Wrigley, 42, is to head European operations for the PAXAR CORPORATION, a specialist in product identification for the garment industry. He previously worked for Coats Viyella and most recently Pepe Group.

■ Sean Lance, managing director of Glaxo Wellcome, succeeds Richard Kogan, chief executive of Schering Plough, as president of the International Federation of Pharmaceutical Manufacturers Associations.

■ Mahn-Je-Kim, chairman and chief executive of Posco of Korea, has been elected chairman of the INTERNATIONAL IRON AND STEEL INSTITUTE. He succeeds Takashi Imai of Nippon Steel.

■ Andrew Muir, 40, becomes managing director of the European arm of ISOGON, a New York-based company providing financial software.

■ Anthony Balinger, 43, president of EXECUTIVE TELECARD, a US-based telecoms company, adds the title of chief executive.

■ Miguel Blesa has been appointed president of CAJAMADRID, the Spanish savings bank.

■ Jean Faure, 60, has been appointed chairman of SOCIETE NATIONALE DES POUDRES ET EXPLOSIFS, replacing Jean-Paul Bechat. The internal appointment puts an end to four months' uncertainty at the French explosives group.

■ John Rock, General Motors vice-president and general manager of OLDSMOBILE, will retire on January 1. He is succeeded by Darwin Clark, vice-president of sales, marketing and aftersales of General Motors Europe and who has been with GM since 1959.

■ Warner Blow has been appointed president and chief executive of STERLING COMMERCE, following the company's spin-off from Sterling Software.

■ John Harris, 47, has been named group executive for corporate marketing and strategy at ELECTRONIC DATA SYSTEMS. He replaces Barry Sullivan, who heads EDS's Internet and electronic markets business.

■ Hong Kong's TOP GLORY HOLDING has appointed Chu Kai-yang and Kam Hung deputy managing directors. Chu, managing director of Top Glory Sugar since 1990, will be responsible for international trading. Hung, managing director of Gloria International Hotels since 1992, will be responsible for hotel investments and future hotel development.

■ German TV giant KIRCHGRUPPE has appointed Dieter Hahn as head of its new sports rights division as of January 1.

■ Albert Soussan, 43, has been appointed deputy managing director of OLIVETTI France.

■ Jocelyn Cooper-Gilstrap has been appointed senior vice-president and special assistant to chairman Doug Morris, at MCA MUSIC ENTERTAINMENT GROUP. She was previously president of Midnight Songs, a co-venture she founded with PolyGram Music Publishing and Mercury Records.

■ Ron Evans, chief of catering group Spotless Services, and former media executive Dulcie Boling, become non-executive directors of COUNTRY ROAD, the Australian speciality fashion retailer.

■ Augusto Palisoc Jr has been appointed president and chief executive of Metro Pacific unit STENIEL MANUFACTURING in the Philippines, from January 1. Palisoc, currently First Pacific's vice-president for corporate development, replaces Gilberto Vendiola.

■ XIAMEN MOTOR of China has elected Huang Peiyu general manager. Wang Mingjie has been appointed deputy general manager and Zhang Huizhen becomes financial controller.

■ Dale Sander has joined MAXIM PHARMACEUTICALS, a San Diego-based biotech company, as chief financial officer.

International appointments

Please fax information on new appointments and retirements to +44 171 873 3926, marked for International People. Set fax to 'fine'.

Call up for savings

Joia Shillingford on low-cost phoning overseas

Telecommunications companies which offer low-cost international phone calls through the "callback" system – undercutting international phone tariffs by up to 80 per cent – are fighting back, as mainstream service providers cut their international call charges. While maintaining their price differential by exploiting low-cost networks outside the US, the callback operators are also simplifying the process of making calls and diversifying.

Callback services, a regular feature of newspaper small ads, appeal to all types of cost-conscious phone users – from tourists calling home, through executives wanting to avoid high hotel call charges, to the overseas offices of multinational companies. Users include the US State Department, the United Nations, the World Bank and PepsiCo.

Typically, a callback user phones a US number and hangs up before the phone has been answered. A computer in the United States works out which customer has called from the number dialled and phones back with a connection to a low-cost US phone network.

The customer then dials the international number they require as if they were phoning from the US. Popular callback "routes", according to Paul Lee, a consultant at the market research and consultancy group, Ovum, include Europe to the US; South America to the US or Europe – which can cost $7 (£4.40) a minute through mainstream carriers; and Asia-Pacific to North America.

As they draw on the lower-cost international tariffs available in the US, callback charges can be very low. Phoning via a callback company such as Seattle-based Kallback, calls from the UK to the US can cost as little as 23 cents per minute.

The problem for callback users is that they need to dial two numbers to make one call. And depending on their supplier and country, they can wait as much as five minutes for the service provider to call them back.

There are ways round this problem for heavy users of callback services. For example, Kallback can install a data line from a customer's switchboard to its own exchange. All the customer has to do is dial the international number they require and wait little more than the usual time to be connected. The switchboard recognises that this is a number that should go via Kallback and routes it accordingly.

Kallback then in effect sets up a conference call – making one call to the customer's number and one to the international number they want. When the phone is answered by the person called, the Kallback-to-customer line is dropped.

"Technically this is very complex to arrange, and requires a lot of intelligence in the switch [exchange]," says Eric Doescher, marketing director of Kallback. "But to the customer it's as seamless as making an ordinary call."

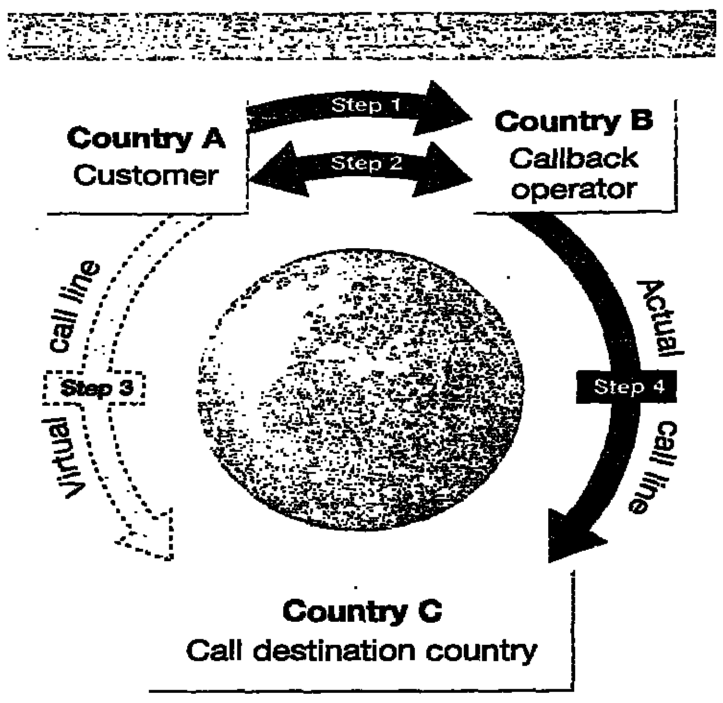
Callback services must diversify or die, says Paul Lee, co-author of an Ovum report *Resale and Callback for International Telephony: Opportunities and Threats*, to be published next month. UK-based Telepassport, which is ultimately owned by Telecommunication Inc of the US, is diversifying into telecoms resale – a system which legalises the sale of spare capacity on international telecoms lines. USA Globalink is also moving into this area.

In addition, companies such as Kallback and New York-based IDT are developing telecoms products which take advantage of the global reach and low cost of the Internet. IDT is investing heavily in voice telephony over the Net, while Kallback's Faxaway service allows a fax to be sent via e-mail to the US from anywhere in the world for 10 cents a page.

Lee says callback services will disappear in countries such as the UK where telecoms resale is legal because resale offers similar benefits without callback's drawbacks. But Doescher believes there will always be companies who want lower-cost services than the leading carriers are willing or able to offer.

"After the first 30 seconds," he says, "we charge in six-second increments. And we have customers who sit by the phone with stopwatches checking that we're not overcharging them. We can deal with customers like that, but some of the large telcos [telecoms operators] can't."

Doescher says callback services account for between 1 per cent and 2 per cent of the worldwide telecoms market. Revenues have doubled every year since 1993 and will be worth about $1.5bn worldwide in 1996, according to Ovum.



Step 1: Customer calls callback computer
Step 2: Callback computer calls customer with open international line
Step 3: Customer dials country C
Step 4: Callback operator charges customer in country A for call to country C at country B's lower international tariff levels

Source: Datamonitor

Callback services have attracted controversy because the network in the country where the initial call is made earns no revenue from it.

The US Federal Communications Commission is looking into the rules governing callback services, but Lee expects it to take no further action following an International Telecommunications Union ruling. This prohibited callback practices which make unusually high use of networks in the countries where the caller is based.

Noel Scanlon, policy director of the Telecommunications Users' Association, warns that callback discounts "are often shown against standard tariffs and do not take into account the discounts that a heavy user of, say, BT would be getting.

"Also Callback companies often publish an average discount across a basket of destinations, which is misleading. Or they may have extra charges, such as a monthly standing charge, or bill in large call units." Moreover, US-based callback services are not usually cheaper for calls within Europe.

Telepassport, which connects calls in the UK, has taken some European business away from Kallback – which the latter hopes to regain by putting switches in the UK by the end of the year. "The bigger callback companies are placing switches around the world, not just in the US," says Doescher.

An article on Internet telephony will appear soon on the Wednesday Information Technology page

An open market in industrial research

R&D departments are becoming models of free enterprise at Siemens, says **Stefan Wagstyl**

Managers in the research centre at Siemens, the German electrical engineering group, have little choice about trying to deliver value for money from their laboratories. The company's operating divisions are not obliged to use its services – they are free to subcontract their research and development work to outside organisations.

While the idea of an internal market in research services is not unique to Siemens, few groups have gone as far as the German company in putting it into practice. Its central laboratories in Munich, Berlin and Erlangen, and a research centre in Princeton, stage annual fairs for each of the group's nine divisions.

The research departments – specialising in technologies which include software, microelectronics, materials and energy sciences – advertise their wares using lectures and demonstrations. The "buyers" from the operating divisions choose the programmes they want to fund and then negotiate the details, including price, with the laboratory managers.

Claus Weyrich, who has just taken over as the vice-president in charge of corporate technology, says: "The only way to make the best use of your resources is to have market-driven rules. You might say it's not a very creative way to run R&D, but it is a very effective way."

Siemens is spending DM7.3bn (£3.17bn) on R&D this year, the world's largest corporate R&D budget after Hitachi of Japan. Some 44,800 people work in research and development, most of them distributed through the operating divisions. But about 1,700 are assigned to the central laboratories where the bulk of the longer-range research is carried out.

Until two years ago, these central laboratories secured two-thirds of their finance from the group headquarters, which collected the money with a levy on the operating divisions. The remainder came directly from the divisions or from government research programmes. But Mr Weyrich said the divisions resented paying this "tax".

So, central funding was reduced to one-third and the amount contributed directly by divisions was increased to one-half. And divisions were given the freedom to commission research as they saw fit. "This completely changed the mind-set in research," says Weyrich. "The laboratories had to orientate their work to the customers in the operating divisions."

Not only do the laboratory managers have to tailor the content of their research to the divisions' needs, they also plan their own operations according to their income flow. If they hire staff as the workload increases in the short term they have to ensure they know what to do with them if their programmes shrink.

To discourage laboratory managers from overselling themselves and persuading operating divisions to embark on unnecessary programmes, Siemens pays bonuses to those who run laboratories as efficiently as possible. "We also reward those who downsize at the right time," says Weyrich.

Siemens found, when it introduced the system there was no drastic decline in the central laboratories' revenues. But there was a slight shift in emphasis towards funding for software-related research and away from some more traditional fields such as materials science.

About 10 per cent of the central laboratories' work is focused on the long-term future, examining new technologies which might affect Siemens' markets. For example, in power transmission, researchers are exploring the use of superconductors in switches. For energy products, long-term means between 10 years and 15 years; for information technology it is just five years.

To guide researchers, Weyrich and his colleagues develop "road maps" of the likely trends in product development and the timing of important changes. Short-term plans are strongly influenced by the views of engineers and sales staff designing and marketing products. Longer-term ideas are often developed with the help of a wide range of experts, including academics.

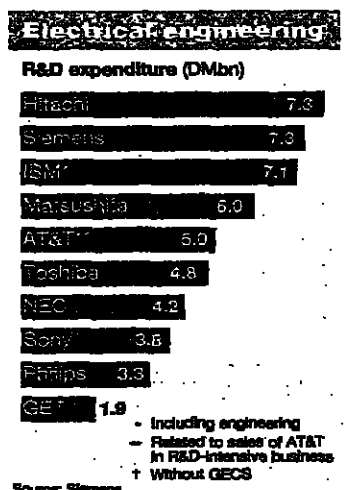
Weyrich is sensitive to the charge that German companies can be tempted to use their prowess to develop over-sophisticated products which find it difficult to compete with cheaper alternatives, often made in east Asia.

He says the company has examined its experience in the machine-tool industry where Japanese makers won market share in Europe with cheap but effective machines. Siemens hit back by standardising its product lines to limit costs. Weyrich says: "We have learnt our lesson. Over-engineering is out."

This is part of an occasional series on managing R&D

Electrical engineering

R&D expenditure (DMbn)



* Including engineering
** Related to sales of AT&T in R&D-intensive business
† Without GECS

Source: Siemens, based on annual reports 1994-95

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ARTS

Talented – but unfashionable

William Packer reviews some gifted artists whose work is largely ignored by British institutions

It is my regular complaint that public institutions which collect contemporary art on our behalf buy up the young and fashionable avant-garde to the exclusion of all else.

The Arts Council, for example has published a new list of buyers for its collection which is hardly distinguishable from the crew that bought the chic academic conceptualism which currently fills the upper galleries of the Hayward. At the same time, an elderly and distinguished but long neglected abstract painter was privately told that, while his work was certainly of a quality to grace the collection, there was no question of its being considered. It was simply not "challenging" enough, not "pushing out the boundaries", not "cutting-edge". It was, dear Lord preserve us, only painting on canvas.

The crass wastefulness of such policies is soon exposed by any short walk round London's private galleries. Elizabeth Blackadder now fills the Mercury with her latest large watercolours and even larger oil-paintings. Now in her later 60s, she is still what she was in her 30s, one of the dozen or so most interesting, accomplished and truly radical painters at work in the UK.

The paint is loose, rich and active on the surface, yet of the utmost refinement. The drawing is ever lively and effective, quirkily economical and exact. The composition is never less than adventurous, the space laid out like a map, now shallow, now deep. There is no fuss, no finicky tidying-up. Blackadder always looks to the world around her, and yet the marks she makes remain always what they are, at once descriptive and yet entirely themselves – a blob, an open run of paint, a dancing cursive line across the surface.

"Ah," but say these institutional apparatchiks, only too happy to oblige a Hockney or a Kitaj, Hodgkin or Freud, Rae or Hirst, "she paints flowers and cats and pretty Japanese temples, and that can't be serious: we can't have that." But have they ever looked closely at those flowers and lilies, those dark purple irises for example, swollen, saturated floods of pigment that, before all else, are a celebration of touch and process? Have they ever registered the radical simplicity of the structure and statement of those temples, the open confidence, take-it-or-leave-it, in the composition of those still lifes? Of course not.

★

Norman Adams, almost next door at the Beaux Arts, is another such painter, wonderfully gifted, especially in his command of watercolour, and yet institutionally neglected. He too is in his late 60s and thus presumably disqualified from official attention, yet there is nothing at all retiring in the freedom and ambition of his work, nothing less than challenging in what he does. But whereas a young artist would dress it up in self-conscious terms of "ironically subverting the viewer's response to its subject-matter", Adams meets it head on. In an age that takes the jargon for the substance, that may be the problem.

He has the nerve to address the great theme of Christian faith, so long the staple of the western tradition. He does so in purely painterly terms, not as pure abstraction but rather by abstracting to a degree conventional imagery and symbols that yet remain recognisable. He looks now to primitive art, now to the early renaissance, now to the frankly modern, and reconciles them all. Colour and surface are symbolic, a rich and glowing confection of golds and reds, subtle and delicate, at once powerful, poignant, and full of hope.

★

John Napper, at Colnaghi, is rather less well-known, having spent long periods abroad and, over a long career, been neither notably consistent nor prolific in his work. But the work comes together, even so, all of a piece, the interest in allegorical subject-matter, and in the clarity and precision of the earlier Venetians – Giorgione, Bellini and Cima especially – as evident today as in the earliest student paintings. In recent years he has developed a manner of an idiosyncratic simplicity, his figures, allegories and still-lifes reduced alike to an arrangement of flat, lush washes butted together in a soft hard-edged figuration. At 80, he is as committed and distinctive as ever.

★

Quentin Blake, at Chris Beetles, is also in his 60s and as truly popular an artist as any in this country. Yet he is not taken seriously as the consummate draughtsman he is, in that comic tradition that goes back to Rowlandson, being perceived as a mere illustrator of children's books. He is much more than that.

Radical simplicity: 'Konchi-in Temple, Kyoto', 1996, by Elizabeth Blackadder

■ Elizabeth Blackadder – new oils and watercolours: Mercury Gallery, 26 Cork Street W1, until November 16. Norman Adams – religious paintings and watercolours: Beaux Arts, 22 Cork Street W1, until October 26. John Napper – an 80th birthday retrospective: Colnaghi, 14 Old Bond Street W1, until November 15. Quentin Blake: Chris Beetles, 8 Ryder Street, St James's SW1, until November 1.

Opera

Garrett's little vixen

As English National Opera goes into rehearsals for its most difficult new production of the season – Zimmermann's complex and hugely challenging *Die Soldaten* – it is making life a little easier for itself by reviving a couple of old favourites. Janáček's *The Cunning Little Vixen* and Verdi's *Rigoletto* are sure-fire hits.

It is important to look on the positive side of this. The Janáček may be an obvious choice for a high-pressure period, because it calls for a modest cast and no chorus, making it cheap and relatively easy to put on (as long as there is no skimping on the orchestral rehearsals). But no company has done more to champion Janáček's cause and so regular revivals of his most delightful opera can be seen as a good way to win him more friends.

There is another reason too why this production is a calculated risk at the box-office. As at the previous two revivals, ENO is fielding its most popular singer in the title-role. Fresh from collecting her award for best-selling classical album of the year ("they taught me how to enjoy making money", she chirped candidly at the awards ceremony), Lesley Garrett makes both the role and the opera her own. Some people may find her ebullient personality over the top, but I thought her Vixen well-sung, bursting with vitality, a real character.

The key to her success lies in the words. When Dennis Marks took over at ENO, he said one of the things he hoped to improve was the audibility of the texts, but this was the first time I have felt that a whole cast was really trying. Even the conversation between Adrian Thompson's Schoolmaster and Andrew Greenan's Parson – sometimes a sticking-point in the opera – came across fairly clearly, as did Susan Parry's Fox in Janáček's witty animal courting scene.

Although it dates from ENO's "power house" years, David Pountney's production treats its subject with a virtue then in short supply: subtlety. It takes a return visit to pick up some of its asides, like the neat references to 1930s fashion that the composer certainly intended (I enjoyed the Vixen's celebratory Charleston as she gets her mate). Maybe the animals' tableaux are starting to look too much like a department store's Santa Claus grotto, but Keith Latham's earthy Forester, much tougher than usual, helped to lower the saccharine level.

The conductor is Richard Hickox, who follows his over-noisy *Rusalka* last season with a very red-blooded view of Janáček, seconded by the orchestra with unbridled enthusiasm. There are seven more performances of the *Vixen*; *Rigoletto* will join it in repertory at the beginning of November.

Richard Fairman

Tamara

onathan Cope and Darcey Bussell in Christopher heeldon's 'Pavane pour une Infante *défunte*'

In the steps of three generations

Clement Crisp reviews the start of the Royal Ballet season

It is good to record that the Royal Ballet season began on Friday night at Covent Garden with a programme of work by three generations of house choreographers to scores by Maurice Ravel: Frederick Ashton's *La Valse* and *Daphnis and Chloe*; Kenneth MacMillan's *La Fin du jour* to the G major piano concerto, and young (23 year-old) Christopher Wheeldon's *Pavane pour une Infante défunte* receiving its first performance. It was an evening creatively admirable, musically well-reasoned (a new conductor, Emmanuel Plasson, made fine sense of *Daphnis* and *La Valse* with a responsive orchestra). Design and interpretation were, alas, rather more problematic.

★

La Valse is Ashton at his most sophisticated in craft and style, the dancers' bodies, the dance's patterns, twisting and yielding to the insidious pulse of the music. "Bend! Bend!" Ashton used to urge his dancers in rehearsal, ever seeking those lovely nuances of torso that are a signature of his work. The present cast do well, but the central trio of women are far too jolly in manner – this is not a Hunt Ball but Vienna waltzing towards extinction – and grinning and heartiness are no substitute for the physical intoxication which speaks so clearly in music and steps.

Daphnis is proving a victim of its recent new designs by Martyn Bainbridge. The omnipresent creaminess in costumes and set, effective in the first scene, becomes deadly by the last, and the lines of ropes which shutter the back of the stage are claustrophobic. The dance is confined, denied air, and the lovers' reconciliation at dawn, to the most luminous of scores, is hemmed-in, befogged. (The dowager's-bodice glitter of sequins to suggest a sun-lit Aegean is not great help, either). Interpretations are similarly dim. I thought the villains – Adam Cooper as Dorkon, Mukhamedov as a bold and lusty Bryaxis – came off best. But Stuart Cassidy's Daphnis was doughy, and Sarah Wildor's Chloe seemed unfocussed and muted by her dull outfits: Fonteyn's appearance in the final dance, with red bolero and bewitching eyes, was the spirit of joy, and this great moment now goes for nothing. Oh, dear.

La Fin du jour made a happy return to the repertory. Out of the pages of *Tatler* and *L'Illustration* MacMillan summons the wordly phantoms of the 1930s. Their playground is Eden Roc; dresses are by Lanvin; their idols are Maxine Elliott and Dietrich and "Les Cole-Porteurs". The choreography sets these automata dancing, bronzing themselves, diving and flying and ticking merrily in the summer blaze before Munich shuts the door on their world. The ballet is acutely judged, dazzlingly conceived as a rite whose divinities are Belinda Hatley and Leanne Benjamin, borne in hieratic poses by their votaries, as evanescent and vapid – and touchingly happy – as the fashionable figures preserved in the amber of magazine photography. MacMillan's vision is shown in dance of the most insouciant wit. Performances, I thought, were excellent.

Christopher Wheeldon makes the *Pavane* into a somewhat similar tribute to Darcey Bussell. She seems the spirit of the vast arum lily which hangs down to the stage in Bob Crowley's beautiful design. This is Bussell as woman rather than girl – her hair upswept in a more mature, if not wildly flattering style – and a long skirt is soon abandoned to reveal chiffon trousers. She appears to the adoring (and funereally clad) Jonathan Cope, in what might just be an oblique comment on *Le Spectre de la rose*.

Bussell retains her mystery throughout: her allure is owed to a lily-like coolness and perfection of form. What matters, though, is that Wheeldon has made dances which explore Bussell's lovely line and the clarity of her style. For this Lily Maid of Astolat, Cope is a devoted and adoring attendant and his reward is a brief, well-made solo.

What I like especially about this miniature is that Wheeldon has kept within the bounds of his score. He has made a duet that is shapely, gentle in feeling and secure in style, and one excellently exposed by his cast. He has, as we sense from his few other choreographies, a real and very promising talent. Long may he continue on his own classical path.

Philharmonia signs up Dohnányi

The Philharmonia Orchestra has pulled off a coup by signing up Christoph von Dohnányi as its principal conductor. The 67-year-old German will continue as principal conductor of the Cleveland Orchestra which in 12 years he has turned into one of the world's top orchestras.

Dohnányi takes up a two year contract in September 1997 but the *Philharmonia* anticipates a longer connection. He has worked with the orchestra since the early 1990s and is already principal guest conductor. His appointment ends a two year period of uncertainty following the departure of Sinopoli in 1994.

His acquisition solidifies the Philharmonia's two residencies – at the Châtelet in Paris, and, in particular, at the Royal Festival Hall in London where, from April, the Philharmonia embarks on a joint residency with the London Philharmonic, which is still continuing its search for a principal conductor.

Among the major projects Dohnányi plans with the Philharmonia is a series on the Second Viennese School and another on the work of Luigi Nono.

INTERNATIONAL ARTS GUIDE

■ ATHENS

ONCERT
thens Concert Hall Tel: 0-1-7282333
● Gewandhausorchester Leipzig: ith conductor Kurt Masur erform works by Bartók and ruckner. Part of the European estival of Orchestral Music; 30pm; Oct 23

■ BERLIN

ANCE
eutsche Oper Berlin Tel: 9-30-3438401
● Ballett der Deutschen Oper erlin: perform Petipa's aymonda – Grand Pas to music y Glazunov, Petipa's Le Corsaire Pas de Deux to music by Drigo, ictor Gsovsky's Grand Pas lassique – Pas de Deux to usic by Auber, and Balanchine's chaikovsky Pas de Deux to usic by Tchaikovsky; 8pm; Oct 4

XHIBITION
luseum für Ostasiatische Kunst – Dahlem Tel: 49-30-8301382
● Morita Shiryu – Moderne japanische Schreibkunst: this exhibition features 35 works by the Japanese calligrapher Morita Shiryu. Included are his work "Garden of Music" (1970) and a series of recent works; to Nov 24

■ BREMEN

EXHIBITION
Kunstsammlungen Böttcherstrasse Tel: 49-421-3365066
● Paula Modersohn-Becker in Bremen: exhibition featuring some 100 paintings by the German artist Paula Modersohn-Becker (1876-1907) from the collections of the Kunsthalle Bremen, the Paula-Modersohn-Becker-Stiftung and the Kunstsammlungen Böttcherstrasse; from Oct 23 to Apr 6

■ BRUSSELS

JAZZ & BLUES
Cirque Royal Tel: 32-2-2182015
● Paco di Lucia, John McLaughlin and Al di Meola: performance by the jazz guitarists as part of the Audi Jazz Festival; 8.30pm; Oct 23

■ COPENHAGEN

OPERA
Det Kongelige Teater Tel: 45-33 69 69 69
● Don Giovanni: by Mozart. Conducted by Marco Guidarini, performed by the Danish National Opera. Soloists include Johannes Mannov and Irene Theorin; 8pm; Oct 24, 26

■ DRESDEN

OPERA
Sächsische Staatsoper Dresden Tel: 49-351-49110
● Nabucco: by Verdi. Conducted by John Fiore and performed by the Sächsische Staatsoper Dresden. Soloists include Hans-Joachim Ketelsen and Soja Smoljaninova; 7pm; Oct 23, 26

■ HELSINKI

CONCERT
Finlandia-talo – Finlandia Hall Tel: 358-0-40241
● Radio Symphony Orchestra: with conductor Woldemar Nelsson and pianist Vladimir Viardo perform works by Lutoslawski, Rachmaninov and Rimsky-Korsakov; 7.30pm; Oct 23

■ LONDON

AUCTION
Sotheby's; Parke Bernet & Co. Tel: 44-171-4938080
● The Michael Haas Collection of Contemporary Art: this single-owner sale comprises contemporary European art from the collection of Michael Haas, a German collector and owner of a Berlin art gallery. The collection is notable for a group of Art Brut works including paintings and drawings by Adolf Wölfli, Sava Seculic, August Walla and Scottie Wilson; 2pm; Oct 24

EXHIBITION
Victoria & Albert Museum Tel: 44-171-9388500
● 20 Unknown Constables: exhibition of drawings and watercolours by John Constable which have never previously been shown in public. The display includes a copy after an early Italian fresco and the earliest known drawing by Constable from a sketchbook dating from 1796; to Oct 27

JAZZ & BLUES
Wigmore Hall Tel: 44-171-9352141
● The Louis Award for the Young Jazz Musician of the Year 1996: the winners of seven regional finals, backed by The John Critchenson Trio, compete for the title "Young Musician of the Year"; 7.30pm; Oct 25

■ MADRID

CONCERT
Auditorio Nacional de Música Tel: 34-1-3370100
● Orquesta de Cámara Freixent de la Esc. Reina Sofía: with conductor José Luis Garcia Asensio perform works by Corelli, Mozart and Handel; 7.30pm; Oct 23

■ NEW YORK

CONCERT
Alice Tully Hall Tel: 1-212-875-5050
● Tokyo String Quartet: with pianist Ruth Laredo perform works by Beethoven, Dohnanyi and Brahms; 8pm; Oct 23
Avery Fisher Hall Tel: 1-212-875-5030
● State Symphony of Russia: with conductor Evgeny Svetlanov perform Mahler's Symphony No.9 in D; 8.30pm; Oct 23

EXHIBITION
The Metropolitan Museum of Art Tel: 1-212-879-5500
● The Iris and B. Gerald Cantor Roof Garden: a selection of sculptures from the museum's collection. Highlights include Auguste Rodin's The Three Shades and Gaston Lachaise's Standing Woman. The open-air roof garden offers a spectacular view of Central Park and the New York City skyline; to Oct 27

■ PARIS

DANCE
Théâtre National de l'Opéra – Opéra Garnier Tel: 33-1 42 66 50 22
● Ballet de l'Opéra National de Paris: perform Albert Aveline's Défilé du Ballet to music by Berlioz, Serge Lifar's Suite en Blanc to music by Lalo, Agnès de Mille's Fall River Legend to music by Gould and Frederick Ashton's Rhapsody to music by Rachmaninov; 7.30pm; Oct 25

■ SAN FRANCISCO

CONCERT
Louise M. Davies Symphony Hall Tel: 1-415-864-6000
● San Francisco Symphony: with conductor Michael Tilson Thomas and violinist Kyoko Takezawa perform works by Volkert, Tchaikovsky and R. Schumann; 8pm; Oct 23, 24, 25, 26

■ VALENCIA

CONCERT
Palau de la Música i Congressos Tel: 34-6-3375020
● Radio Stuttgart Orchestra: with conductor Georges Prêtre and pianist Leon Bates perform works by Bernstein and Gershwin; 8.15pm; Oct 23

■ WASHINGTON

EXHIBITION
National Portrait Gallery Tel: 1-202-357-1915
● Louis Armstrong: A Cultural Legacy: video and radio clips of Louis Armstrong in performance, along with paintings, drawings, photographs and related memorabilia combine in this exhibition to create a portrait of a man who rose from poverty to prominence as one of the most beloved entertainers of his time; to Oct 27

■ ZURICH

CONCERT
Tonhalle Tel: 41-1-2063434
● Tonhalle-Orchester: with conductor David Zinman and pianist Alfred Brendel perform works by Stravinsky and Beethoven; 7.30pm; Oct 23, 24

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08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

Martin Wolf

Death and tax cuts

As he approaches his last Budget before the election, the chancellor may find political expediency taking him down an economically imprudent route

If taxes are as certain as death, in an election year tax cuts run a close third. It would be more than Mr Kenneth Clarke's political life is worth to sit down on *November 26, when he presents* the UK Budget, without having cut income tax. But can cuts be justified? Barring extraordinary success in cutting public spending, the answer has to be no.

That is not because £3bn *or so of tax cuts foreseen by* the Institute for Fiscal Studies in its Green Budget would matter that much in itself. This would, after all, be less than half a per cent of gross domestic product. It is rather because the overall fiscal position ought to be significantly tighter.

At the end of 1990, the net financial liabilities of general government in the UK were only 19 per cent of gross domestic product; but by the end of this calendar year, according to the *Organisation for Economic* Co-operation and Development, this will have jumped *to 43 per cent. Disappointingly*, the fall in indebtedness achieved in the 1980s *has been entirely reversed.*

Among the principal reasons for soaring debt are *high real interest rates*. During the recession before last, the government's creditors were robbed by an inflation surprise. The 19.5 per cent increase in the GDP deflator in 1980 and the 11.4 per cent rise in 1981 delivered a real cost of government borrowing of *minus* 9.2 per cent and *minus* 2.4 per cent respectively, after the fact.

Lenders have learned their costly lesson. Since 1984, real interest rates on government debt have averaged 5 per cent. They fell somewhat below that level between 1991 and 1993, but were over 5 per cent once *more in 1994 and 1995*. Real interest rates are unlikely to decline in the near future, *unless yet another inflation* surprise is on the way (as it may well be). Today, the redemption yield on 10-year gilts is more than 5 percentage points above the inflation target.

High real interest rates are one reason for caution; *poor forecasting is another*. Only two years ago, Mr Clarke forecast the public sector borrowing requirement at 3 per cent of GDP in 1995-96 and 1¼ per cent in 1996-97. It turned out to be 4½ per cent of GDP in 1995-96 *and is forecast* by the IFS to be 3¼ per cent this year. The gap between the November 1994 forecast for the following fiscal year and the outcome is £10.5bn – equivalent to more than 5p off the basic rate of tax.

Recent experience demonstrates the vagaries of forecasts and how quickly a recession can result in sharp increases in public indebtedness. The UK cannot readily risk another such surge if it is to be confident of escaping the quagmire that has trapped so many of its European neighbours. The alternative – *cutting deficits when in recession* – is too painful.

How then would a *prudent chancellor set his goals* for the fiscal balance? The Green Budget argues that the ratio of public-sector debt to GDP should be stabilised "at a reasonable level"; and also that its net borrowing requirement should be no greater than net public *investment* – the golden rule. On the former assumption, the PSBR should be about 2.5 per cent of GDP over the cycle. But the latter would demand an average PSBR of only 1 per cent of GDP, because net public *capital formation is so low*.

The Green Budget also argues that its target of between 1 per cent and 2.5 per cent should be hit when the economy is on its long-run trend. This appears reasonable, at first glance. But it raises difficulties.

First, nobody knows when the economy is likely to hit the trend – or, to put the point in other language, when the "output gap" will disappear. The Green Budget admits that the output gap could be anything between zero and 3 per cent. It would be 3 per cent if the trend growth rate of about 2¼ *per cent a year* could be projected forward from 1990. It would be zero if the *rate of unemployment* were already as low as it could be without generating inflationary pressures.

If the gap were zero, the economy would already be on trend. The budget would then need to be tightened now, since the PSBR this *year is likely to be above* any prudent estimate of long-run sustainability. If the gap were higher and the government were able to deliver on its planned growth of 0.75 per cent a year in real non-cyclical *spending as well*, the PSBR would be eliminated by the end of the decade.

Second, it is necessary to agree a ratio around which debt is to be stabilised. The approach taken by the Green Budget is to take the present ratio as that figure, thereby treating the surge of the early 1990s as a bygone. But what would happen if an adverse shock were to force another surge in indebtedness? At present high real rates of interest, any further rise could create a vicious circle of adverse expectations in the markets. It would then turn out a mistake to have targeted as an *average* what should have been a *ceiling*.

Finally, the economy must, by definition, sometimes be above a trend level, *just as it is* sometimes below it. Similarly, the PSBR must sometimes be *above its long-run* average level and sometimes below.

Suppose then that the economy does hit its trend and the fiscal deficit its long-run average in two or three years. By implication, the economy would operate at above its trend rate over some appreciable period thereafter.

More important, the ratio of the fiscal deficit to GDP must be *below* its average for several years thereafter; if not it is not an average. The first assumption *appears* to rest on the prospect of another inflationary stop-go cycle. The latter is *unlikely*. *Money burns* holes in government pockets: it will go into higher spending, tax cuts or both.

The conclusions are straightforward. A prudent government would:

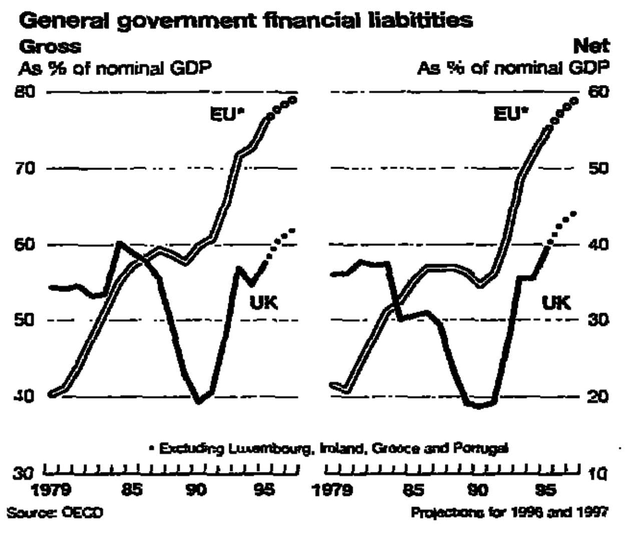
- Not place much trust in measures of the output gap.
- *After 4½ years of recovery*, assume the trend point has arrived.
- Try to lower the debt ratio, to give itself the room to respond to adverse shocks in future.
- Aim to balance the budget *most of the time*; and
- Not cut taxes in the hope that exceptionally tight control over public spending will be achieved, but only once it has demonstrably happened.

The Green Budget forecasts the PSBR could be 2.7 per cent of GDP next year. Fiscal tightening of up to 2 per cent of GDP may be prudent, therefore. It is not going to happen. It would be safest, all the same.

Such fiscal tightening would also come at the right point in the economic cycle. Growth in broad money, at 9.5 per cent in the latest 12 months, is the highest in the group of seven leading industrial countries; *consumer demand is strong*; and the exchange rate is rising. All this suggests that fiscal tightening is appropriate, not only for longer-term reasons, but to avoid undue *reliance on monetary policy* and the exchange rate to curb inflation.

Tory backbenchers will, no doubt, get their tax cuts. But sustainable cuts depend on progressive declines in the ratio of public spending to GDP. Ideally, this requires worked-out, long-term reforms, particularly of health, education and social welfare. Prudent governments would aim to balance the books and cut taxes in line with achievements. Actual governments will shuffle taxes from the visible to the less visible and cut spending wherever *the political resistance* is least. This may well be inevitable. It is hardly desirable.

Rising burden of public debt



Source: OECD
Projections for 1996 and 1997

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Reality of EU job creation could still fall behind the rhetoric

From Mr Douglas Todd.

Sir, Martin Wolf makes a number of interesting points on why all need not be gloom in the EU kitchen ("Reasons to be cheerful", October 15). It should be remembered, however, that over the period 1983 to 1989-90, when the EU experienced almost continuously accelerating growth of gross domestic product, while it managed to create nearly 9m new jobs, the underlying picture was not wholly encouraging. Some 80 per cent of the jobs created were in four countries only – Germany, the Netherlands, Spain and the UK. Many of these jobs were provided by the public sector – the UK being an exception.

Significantly, only about 3.5m came from the pool of unemployed, with hardly any from the long-term unemployed. Unemployment on average never fell below 8.5 per cent. Incidentally, over the same period and with very similar GDP growth the US created about three times that number of new jobs overall.

When the opportunity was there to be taken, Europe failed on two counts; it did not pursue flexibility policies in its labour markets and it did not tackle budget consolidation.

The central question now is, if a return to growth at something like the underlying rate of productive potential is forthcoming, then can we really be sure that anything has been learned.

Certainly, the Maastricht provisions provide the incentive for budgetary discipline but as everyone knows, this places an enormous burden of responsibility on labour market policies if unemployment is to be tackled seriously.

When, as a result of improving economic activity unemployment begins to fall will EU countries in general have the courage to go beyond the rhetoric of policy pronouncements and this time address some of the labour market impediments which are noted in Mr Wolf's article?

If not, then yes, the so-called natural rate of unemployment will continue to track closely the actual rate.

Douglas Todd,
Rohan Cottage,
Bath Road,
Littlewick Green,
Berkshire SL6 3QR, UK

Cyprus divided before Turkey moved in

From Mr Hakki Müftüzade.

Sir, With due respect to Mr Edward Mortimer, whose objective and impartial articles always make interesting reading, I wish to take exception to his statement in your issue of October 17, 1996 ("Rifkind tries his hand in Cyprus"), claiming that the island has been divided "since the Turkish army occupied the northern part of it in 1974".

In fact, Cyprus has been divided since December 1963 when the Greek Cypriots, under the leadership of the late Archbishop Makarios, carried out a coup d'état and ousted their Turkish Cypriot partners in government by force of arms.

The Turkish army intervened in July 1974 under the international Treaty of Guarantee in order to stop the ethnic cleansing of the Turkish Cypriots by the Greeks, and established a safe haven for them in Northern Cyprus.

Hakki Müftüzade,
London Representative,
Turkish Republic of Northern Cyprus,
29 Bedford Square,
London WC1B 3EG, UK

Gibraltar crime will not be subject of talks

From Mr P.R. Caruana.

Sir, In your issue of October 17, your correspondent, Bruce Clark, states: "Britain and Spain agreed in principle last night to restart a stalled dialogue on the problem of crime and smuggling in Gibraltar." This is not correct. The talks, as the Foreign Office would no doubt confirm, relate to co-operation to prevent the flow of drugs across the Strait of Gibraltar from Morocco to Spain and Europe.

The problem of crime in Gibraltar, which is considerably less severe than in neighbouring parts of Spain, is not a matter for discussion with Spain, any more than the British government would discuss with Spain the problem of crime in Brighton. It does not assist the economic development of British Gibraltar to propagate false Spanish propaganda designed to harm our finance centre.

P.R. Caruana,
chief minister,
Government Secretariat,
6 Convent Place, Gibraltar

Personal View · Stephen Roach

Lessons in restructuring

Europe and Japan will recoil from risking the harsh extremes of the US experience

The world is abuzz with *talk of restructuring*, and one thought seems to unify the debate – that the lessons from the successful restructuring experience in the US must be learned by other nations if they are to compete successfully as the global economy changes.

While there may be some truth to that assertion, I fear that it misses the most basic point of all: restructuring is a wrenching experience that must be tailor-made to the *social and political fabric* unique to each country. For that reason alone, I have *serious doubts whether the* American model will work elsewhere in the industrial world. *Here's why.*

I have studied the US restructuring experience for more than 10 years. At the risk of oversimplifying, I believe that the American restructuring model has three key attributes: massive headcount reductions, real wage compression (and nominal wage "givebacks" in some instances), and an outsized currency depreciation that took the value of the dollar down 50 per cent from its early 1985 highs. And the US system of flexible labour markets is the glue that has held it all together.

There is another aspect of the US restructuring experience that has been key to the tactics of labour cost *compression – a marked* widening of income inequality. In 1995, the wages of the *top decile of US male earners* were roughly 4.4 times those of the lower decile – up sharply from 3.2 in 1980.

Significantly, a recent OECD study reveals that the American experience is the extreme. The 1995 wage *dispersion ratio* was between 2.0 and 3.0 for Germany, Japan, Italy, Sweden, Finland and Australia. The ratio for the UK was about 3.3, and that for Canada about 3.8.

Consequently, in its unrelenting drive for cost efficiency, the US stands alone among industrial nations in inflicting a disproportionate burden on those at the low *end of the pay scale.*

The American strain of restructuring worked largely *for one reason – the body* politic in the US was willing to accept nothing less than a dismantling of the social contract between government, corporate managements, and labour.

Therein lies the greatest flaw in the visions of restructuring that are now increasingly evident in other countries around the world. Elsewhere, the harsh extremes of the American experience simply may not be acceptable as a means to boost competitiveness.

Sharp disparities in global labour costs underscore the severity of this dilemma. In *1995, Germany was the* world's high cost producer by a wide margin. At $31.88, *its hourly compensation* (wages and benefits) was 85 per cent higher than that for *US* manufacturers, which totalled $17.20 per hour.

Switzerland was not far behind at $29.28 per hour, and hourly pay rates in the $24 to $26 range prevailed elsewhere in northern Europe. Japan fared little better, compensating its production workers at $23.66 per hour last year, 38 per cent higher than US rates.

By contrast, in non-Japan Asia, hourly compensation stands at an average of just $1.40 – in a range from about $0.25 in China, India, and Indonesia to more than $7.00 in Singapore and Korea. Average Latin American compensation is also quite low, as are, of course, the rock-bottom pay rates in *eastern and central Europe.*

These rates are in dollars and are thus quite sensitive to foreign exchange fluctuations. In the strong-dollar era around 1985, the US was the world's high-cost producer, *and Japanese factory* wages – in dollars – were about 50 per cent lower, with *those in Germany about 25* per cent lower.

To strip out currency effects, consider the 1980-95 period, which straddles the great currency realignments of *the mid-1980s*. During this period, the US record on cost containment looks all the more impressive: hourly compensation increased just 74 per cent in the US, well below the 159 per cent cumulative rise in Germany and 329 per cent in Japan.

Such labour cost differences underscore the heavy *lifting that will be required* to close the competitiveness gap. Quite simply, the *world's high-cost* countries seem unlikely to go far enough in embracing an American-type restructuring model that might make a real difference. In Japan, for example, it will be extremely difficult to dismantle lifetime employment practices. Europe may also be stuck because of the lack of flexible wage-setting arrangements, with its workers unwilling to accept outright reductions in nominal wages.

That places the onus for labour cost compression – the ultimate objective of corporate restructuring – squarely on headcount reductions. But with European unemployment currently at about 11 *per cent of* its workforce, it is naive to believe that there is the *social and political will to* tolerate such shock therapy.

As for the currency option, do not hold your breath. Given such compensation and headcount rigidities, it would take an extraordina devaluation of the yen a the D-Mark (or the new eur to compensate. I would b wary *about betting on* replay of the dramatic cu rency swings of the 1980s a *the escape valve in th* global competitivenes sweepstakes.

Curiously, there is a diffe ent view in Europe – th the push to a single curren and the related slashin public-sector deficits wil enough of a catharsis t force Europe to begin di mantling its vast soci safety net.

In this light, the Maa tricht treaty is viewed as th *means by which Europ* finally comes to its sens and embraces the flexibl *labour* market arrangement that lie at the heart of Ame ica's restructuring successe

This is a real leap of fait While social security an healthcare reform are nece sary for hitting the fiscal cr teria of Maastricht, they a hardly a guarantee th Europe will also embrace flexible wage-setting mech nism that would bring th region's wages in line wit those elsewhere in the indu trial world.

That is not to say the have not been signs of pr ress. Europe has tried t introduce more flexibl labour markets, but th gains have been uneven. Th UK has led the way, bu resistance remains i France, Spain, and Ital Germany is now beginnin the task of job-shedding an *worker* benefits compre sion. Employment in Ge man industry was slashed b 15 per cent between 1991 an 1995, and trade union mem bership has declined.

But in the end, I believ headcount reductions i Europe and Japan will sto well short of what is neede to close the competitivenes gap. Nor does *it seem likel* that the combination of cut in nominal wages or cu rency realignments wil make up the difference.

That is why I suspect th the road to European an Japanese competitive reviv is going to be a lot longe and more arduous than th which the US has travelle since the *early* 1980s.

Global labour costs ($)

	Hourly Compensation in Manufacturing		
	1980	1985	1995
US	[illegible]	[illegible]	[illegible]
Europe	9.54	7.81	21.25
France	[illegible]	[illegible]	[illegible]
Germany	12.33	9.60	31.88
Italy	[illegible]	[illegible]	[illegible]
UK	7.56	6.27	13.77
Czech Republic	[illegible]	[illegible]	[illegible]
Japan	5.52	6.34	23.66
Other Asia	[illegible]	[illegible]	[illegible]
Latin America	1.77	1.34	2.47

Source: US Bureau of Labor Statistics, [illegible] and Morgan Stanley Research Estimates

The author is chief economis of Morgan Stanley

COMMENT & ANALYSIS

FINANCIAL TIMES
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Tuesday October 22 1996

The LDP's return

Investors were justifiably downbeat yesterday as they pored over the results of Sunday's Japanese general election. As usual, the precise shape of the new government will depend on political bargains struck over the coming days in Tokyo hotel rooms. But those who would like to see Japan grapple with its long-term challenges can but be discouraged by the prospect of a re-entrenched Liberal Democratic party with neither the incentive nor the mandate to push through radical reforms.

Yesterday's decline of nearly 1½ per cent in the Nikkei average may partly have been driven by such structural considerations. For, in the short term, the fact that little has changed at the top implies that economic policy will continue broadly as expected.

The collapse in support for the Social Democratic party means that the planned increase in the sales tax next April will go ahead as scheduled. Equally, though Mr Ryutaro Hashimoto, prime minister, was cagey on the subject yesterday, there now seems little doubt that the LDP will get its wish for an extra stimulus package by the end of the year.

These supplementary measures have been touted as a necessary safeguard against the economy slipping back into recession as the effect of past packages wears off. Such fears can be overdone. At any rate, the new, lower level of the yen and continued record low level of interest rates should provide much more effective support for the recovery than a few extra trillion yen-worth in public works.

The most important doubt hanging over the economy relates not to the next year but to growth prospects thereafter. The twin prospect of a rapidly ageing population and ballooning public deficit offers policy-makers a choice. They can either continue broadly as before, and live with average annual growth of at best 1½ per cent a year, or they can back up promises of radical tax and regulatory reform with action.

Hardly the natural party of reform, the LDP was at least nudged towards the second path while it was beholden to coalition partners who had less of a stake in the system. Although it still lacks an overall majority, its new coalition partners will be in a much weaker position to press for change.

In his heart Mr Hashimoto knows that reforms are necessary. And he knows that voters – those who bothered to vote at all – on Sunday gave a far from wholehearted endorsement of politics as usual. But the odds that he will risk innovative reform are slim indeed.

French foray

Vers l'orient compliqué, je volai avec des idées simples. (Towards the complex east I flew with simple ideas.) So de Gaulle described his first visit to the Levant during the second world war, when his aim was to preserve French influence in Lebanon and Syria from Anglo-Saxon encroachment. That idea remains a constant of French policy, up to and including President Chirac's current foray in de Gaulle's footsteps – though the US has long since replaced Britain as the dominant power in the region, and therefore the one most irritated by French pretensions. (From a US point of view, these seem aimed only at complicating the "complex east" even further.)

Indeed since 1956, and especially since 1967, the Middle East has been the part of the world where British policy-makers have most often found themselves agreeing with France rather than the US, and thus the one where a distinctive European foreign policy has at times been glimpsed – notably during the oil shocks of 1973-74 and 1979-80, when a real conflict of interest, reflected in a sharp difference of analysis, opened up between the US and Europe.

This year there have been some signs of the same happening again. Interests now conflict not so much about oil supplies (which remain relatively plentiful, with the Middle East's share declining) as about markets, especially in the highly politicised and highly lucrative defence sector. The end of the cold war, and the rise of "the economy, stupid" as the dominant rationale of US foreign policy, have led to a more direct use of US political clout to secure contracts for American firms. That of course upsets European competitors, who expect their governments to be no less active on their behalf. US firms meanwhile resent seeing Europeans make money in markets (Iran, Libya) denied to them for political reasons, and Europeans are resisting US efforts to apply the same prohibitions to them.

European governments are also getting restive at being presented with the bills for agreements negotiated largely without reference to them by the US. They do not much appreciate being told, as they were on Sunday by Israel's foreign minister, Mr David Levy, that "Europe has an important role to play on the sidelines ... by encouraging the peace process on the economic level". But when it comes to active political input the tortuous processes of "European" foreign policy have nothing to offer. Only France acting on its own can occasionally achieve something, as it did (to the US's obvious chagrin) in Lebanon this spring.

PFI progress

Ever since the British government launched its Private Finance Initiative in 1992, there has been a mismatch between the extravagant claims of its promoters and the modest results achieved in practice.

While the government speaks of a revolution in public services, business focuses on the bureaucratic obstacles to getting PFI projects off the ground. While ministers sing of value for money, companies worry that the initiative is being used as a pretext to slash capital spending.

Yesterday's PFI conference in London showed that this is not entirely a dialogue of the deaf. Chancellor Kenneth Clarke provided evidence that the government is listening to concerns articulated by the Confederation of British Industry.

His proposals address some of the most important causes of delay. He vowed to simplify the tendering process by detailing standard terms which the Treasury would expect to see in good PFI contracts. He published a guide to assist private sector investors in transferring equity in PFI projects, thus easing construction companies' concerns that they will find their balance sheets overloaded with commitments from which they cannot escape.

In addition, Mr Clarke offered a pledge that civil servants will be encouraged to be less risk-averse in their approach to the initiative – coupled with a barb at the "slight aversion to risks in some finance houses too".

All this is welcome, so far as it goes. The technical difficulties will no doubt be overcome with fine-tuning of the kind set out yesterday. As companies gain experience in dealing with the PFI, their confidence in contract terms and tendering processes will grow and the associated costs may shrink. As working examples evolve of risks shared between public and private sectors, the initiative will gather momentum – though it may well make faster progress in some areas (prisons, say) than in others such as health where the public authority is more diffuse.

The bigger worry is not that the PFI will fail to take off, but that it will succeed too well. The government could attempt to apply it in cases where it is inappropriate. As serious, it (or its successor, of either party) could become so attracted to off-balance-sheet PFI funding that it disregards future current expenditure commitments it is running up.

Hence the warning reiterated yesterday by Mr Adair Turner, CBI director-general, that the PFI is "a tool, not a panacea". Private finance may well be a desirable means of delivering some public services at lower cost. But it will ultimately succeed only if government demonstrates how the PFI fits into a prudent overall framework for public spending.

Germany's stock answer

The Deutsche Telekom issue could help Germans overcome their longstanding mistrust of equity investment, says **Andrew Fisher**

As executives and bankers of Deutsche Telekom start fanning out across the world's financial centres this week, the selling of Germany's biggest-ever share issue will move into top gear.

Not only is the success of the issue vital for Telekom – the world's third largest telecommunications group – but it will also be a stern test of whether Germans are ready at last to shed their mistrust of shares.

While Telekom needs the proceeds of the issue to reduce its debt, the government is keen to promote the idea of equity investment. Politicians are increasingly aware that Germany's underdeveloped equity markets mean a lack of low-cost finance for both established and start-up companies. If that could be put right, more new jobs could be created at a time of high unemployment.

After all the advance publicity, there can be few German adults not aware by now that Telekom is about to burst on to Germany's equity markets. The initial public offering will be one of the world's largest. The state-owned telecommunications group is poised to raise about DM15bn (£6bn) – nearly double the total of all of German new issues in 1995, itself a record year.

With yesterday's setting of a DM25 to DM30 price range under the bookbuilding method of assessing investors' intentions, potential shareholders have a clearer idea of what they will have to pay; the final price will be set on November 17. The roadshow to tell institutional investors about Telekom's prospects and finances starts in Frankfurt today and will take in London, New York, Tokyo and other European, US and Asian cities.

To capture the imagination of retail investors in Germany, Telekom has run a promotional campaign to bury its past image of stuffiness and inefficiency. "It's T-Time," says the latest leaflet to drop through people's doors, with a picture of a smiling telephone operator holding up her fingers in a T-shape.

More than 3m people have put their names down under the advance registration programme. So successful has the campaign been that banks in the issuing consortium are concerned that private investors will be disappointed if they do not get enough shares. Up to 80 per cent could be sold in Germany, with retail investors – encouraged by incentives to buy and hold the stock – possibly accounting for around half of that.

But it will be hard to persuade Germans to change their conservative investment habits. Past attempts at selling large slices of well-known companies to the public have not always been successful. In the early 1960s, the Volkswagen issue got off to a racing start, but the share price dropped after markets were hit by the Cuban missile crisis. Enthusiasm for equities was also rife in the 1980s, but the world-wide crash of 1987 curbed it.

Germans have yet to develop a healthy appetite for equities. Little more than 5 per cent of them own shares, far below the levels in Britain, the US or Japan. Germans have traditionally preferred bonds, bank deposits or life insurance contracts – safe, and promising moderate returns with little risk. "We do not by any stretch of the imagination have a share-buying public in Germany at the moment," says Mr Thomas Holmes, research director at Schröder Münchmeyer Hengst, a Frankfurt bank.

So can the huge Telekom issue, which will leave 20 per cent of the company in private hands, bring about a change in investment attitudes? Among the obstacles to such a change are family memories of wealth lost this century through hyperinflation and war. Savers, furthermore, have long felt secure with government bonds and bank deposits because of the stability of the D-Mark and the success of the Bundesbank in keeping down inflation. There have been some postwar periods – notably the 1970s – when bonds outperformed equities.

Over the long run, however, shares have performed strongly. According to BZW Deutschland, equities have produced an average annual real return of 6.4 per cent since 1951 against 4 per cent for bonds. Recently, the German stock market has been rising steadily, and investors are likely to be encouraged by a dividend yield on Telekom shares of about 7 per cent – more than on a 10-year government bond.

But the level of enthusiasm generated by the Telekom privatisation will inevitably depend on the gains to be made by individuals. "It depends on the pricing," says Mr Holmes. "If everyone gets their fingers burned, they will scream blue murder. If they do well, they will brag at parties and in public."

Short-term gains at the expense of long-term share price growth would be counterproductive, says Mr Christian Strenger, head of DWS, Germany's biggest mutual fund company, owned by Deutsche Bank. "We need more than a first-day success. For the issue to have a good longer-term impact, it must not boil over too quickly." A well-subscribed Telekom offering with a steadily rising share price would not only help the second tranche of shares to be issued in 1998 but also stimulate a flow of other new issues, including more privatisations at government, state and local level.

The Bonn government plans to sell control of Postbank, the highly profitable postal savings bank which has been split from the Post Office, in coming months for about DM3bn, while the privatisation of Deutsche Bahn, the German railway system, is much farther down the line.

At state and municipal level, airports, utilities and motorway service stations are being earmarked for sale to the private sector. A further tranche of shares in Lufthansa, the national airline of which the government owns 36 per cent, is also due to be sold next year.

In the private sector, capital market experts reckon 1,000 companies could eventually float shares in Frankfurt. "I see a potential of between 20 and 30 companies which could come to the stock market each year," says Mr Uwe Flach, a director at DG Bank in Frankfurt.

These are mainly family-owned *Mittelstand* (medium-sized) companies, as well as operations which could be spun off by large groups – as the Hoechst chemicals group did last year with SGL Carbon, a carbon and graphite producer.

Last year's offerings of such companies as Adidas, in sports goods, and Merck, in pharmaceuticals, also underlined the potential of the German market; they were heavily over-subscribed by domestic and foreign investors. The same was true last month of Leica, the camera manufacturer.

While companies remain hungry for capital, it is slowly dawning on German citizens that they will become increasingly dependent on their own resources in providing for their old age and healthcare needs. The government is being forced by its budget problems to cut social security entitlements, and equity investments will provide an alternative source of income.

"We need a dynamic element in old-age provision – and that is equities," says Mr Strenger, whose company, along with the rest of Germany's mutual fund sector, plans special equity-based funds to encourage people to save regularly for retirement.

In Britain, the US and elsewhere, big pension funds are significant forces in the stock market, using equities to enhance long-term returns. But Anglo-Saxon-type pension funds are inhibited by tax disadvantages in Germany, although many bankers now see their eventual introduction as inevitable.

"Pension funds [managed by outside specialists] may come quicker than people think," says Mr Flach. The state system is under extreme financial pressure, and likely to be even more so in the next century as the population ages. Thus politicians may be forced to change the tax law which benefits companies' in-house pension schemes at the expense of the handful of pension funds that exist so far. In-house schemes invest their nearly DM300bn of assets mainly in their own companies rather than in capital markets.

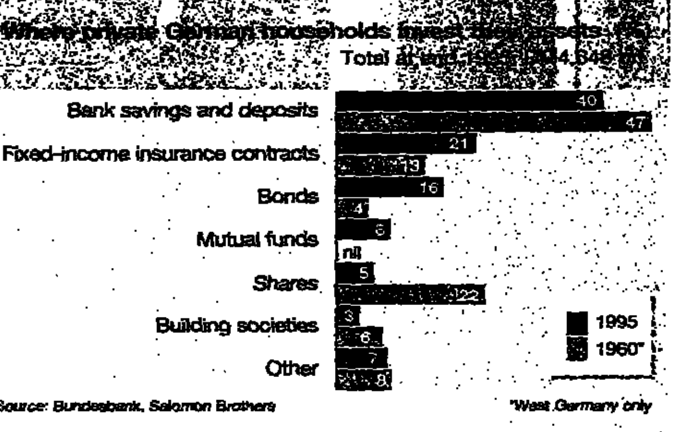
"At the end of the day, we need a change in the German pension system," says Mr Andreas von Buddenbrock, a director of the German operation of Merrill Lynch, the US investment house. "That is the only way the German capital market system could gain an importance matching the size of the economy." At present, Germany's stock market capitalisation, at DM890bn, is well below that of other leading financial centres such as London, Tokyo and New York.

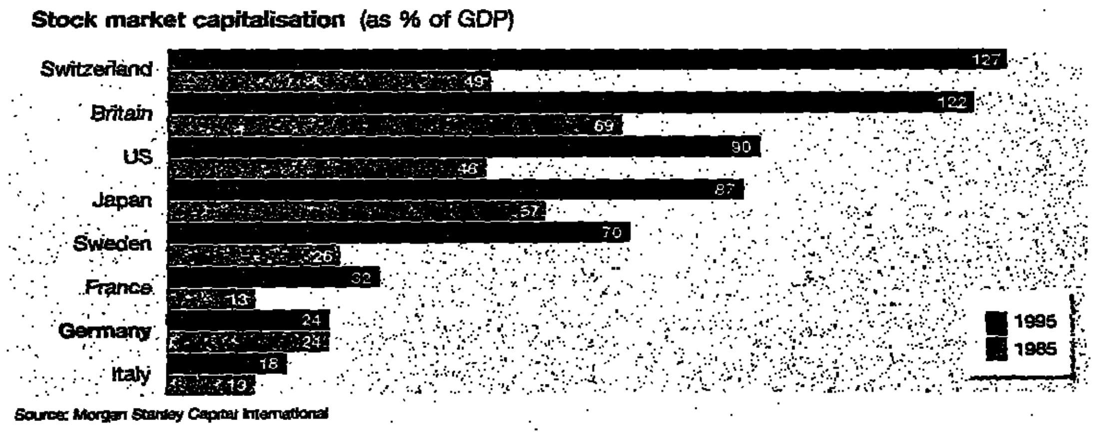
But the sharp rise in interest in equities and the role risk financing can play in job creation suggests the gap could be narrowed. "I've never seen such awareness among the political parties of the role capital markets can play," says Mr Rüdiger von Rosen, head of the German share institute, a promotional body for equities. "They can see that competition for risk capital is growing around the world and that German companies need to be served better." The Telekom issue could be a powerful impetus in the right direction.

Market capitalisation of major stock markets at end 1995 (DM bn)

New York (NYSE)	8,252
Tokyo	5,066
UK	1,994
Germany	826
France	734

Source: Deutsche Börse





· OBSERVER ·

Kirch, Kohl and Kinder

■ In keeping with the *mores* of the entertainment business in which he has made his fortune, Leo Kirch, German media mogul and personal friend of Chancellor Helmut Kohl, celebrated his 70th birthday yesterday with a glitzy bash in Munich.

But the festivities take place against a backdrop of considerable upheaval within the media empire which the normally reclusive Kirch launched 40 years ago off the back of the distribution rights to Fellini's film *La Strada*.

Ownership of the privately-held company – which is said to be worth at least DM6bn – is to be passed on to a foundation. As well as creating an entity that can dabble in good works, such as stumping up cash for the expansion of Munich's Pinakothek museum, the new legal structure is designed to ensure that control stays within the family.

So will the next generation be a little less secretive than Kirch père and his cohorts? Events last week, when the TV shopping channel *Hot*, in which Kirch's son Thomas holds a stake, announced a new shareholder in the form of Home Shopping Network, suggest they may well have to start lifting their skirts a centimetre or two.

Asked how much Home Shopping Network chairman Barry Diller had paid for his stake, Georg Kofler, Hot's chairman and a long-time Kirch executive, trotted out the usual line about figures not being something one likes to discuss. Diller looked aghast: "Where I come from such things are unheard of," he muttered.

Panic in Manila

■ *Nul points* to the Philippine government which yesterday bowed to pressure from Indonesia to deny a visa to Nobel prize winner Jose Ramos-Horta, the exiled spokesman for the East Timorese resistance movement. Ramos-Horta had been planning to attend an "alternative" summit on Apec, to coincide with the official Apec shindig in Manila in four weeks' time.

President Fidel Ramos had been intending to make a big deal out of the presence in his country of the likes of Presidents Clinton and Jiang Zemin, and the government has been instructing all and sundry to be on their best behaviour. Nothing was to be left to chance – hence the visa panic.

Ramos-Horta was denied entry to Manila back in 1994 – again at the behest of Jakarta. There was a considerable fuss then, from which the government appears to have learnt nothing. The human rights lobby will have even more of a field day this time.

Bottom line

■ Try telling Galle Face Hotel in Sri Lanka that it's good to talk. A bill from Sri Lanka Telecom recently dropped through the door containing a rather nasty surprise – a demand for Rs197m ($3.59m) relating to 99.8m units supposedly clocked up on a single phone with local calls during August.

When the hotel's general manager rang to complain – hope he kept the call brief – the company, which is hoping to spin off 40 per cent of itself to a foreign buyer, suggested he lodge an appeal to have the charges revised.

Although the staff of Galle Face Hotel probably didn't know it, the maximum number of units it is possible to run up is a mere 37,944, assuming the phone is off the hook for 24 hours a day for 31 days, dialling a long-distance number.

Forked Tungs

■ Ever since a well-publicised grin and handshake from President Jiang Zemin earlier this year, China watchers have tipped Tung Chee-hwa as Beijing's preferred candidate to run Hong Kong once "Fat Pang" Patten sails off into a post-colonial sunset.

Perhaps his name – "Build China" in mandarin – augurs well in the minds of mainland officials hoping to use Hong Kong as the powerhouse to drive the nation's economic development. Tung, who last week finally declared his candidacy for the territory's top political post, may be deeply reluctant to swap his ships for such a tough job, but he can also take some comfort from succession plans at the family firm. His younger brother Chee Chen has long experience at the helm alongside C.H. His name means "Build Success".

Take two

■ Bombay revels in its reputation as the film capital of India but the current passion for restoring pre-colonial place names could present the city with a bit of a dilemma.

Given that the city fathers decided to convert Bombay to Mumbai – the name by which it was known in the days before the Brits arrived and the silver screen spelled mega-rupees – should the city by the sea still be known as "Bollywood". Or should it be "Mollywood"?

The Financial Times

100 years ago

"The Automotor and Horseless Carriage Journal"
For a newspaper or magazine to make its introductory bow to the public without proclaiming that it meets a long-felt want is an event, we believe, almost without precedent; but this is the case with "The Automotor and Horseless Carriage Journal", the first number of which has just reached us. Although the demand may be an entirely new one, it is obvious, as our young contemporary observes, that there will without doubt be a field for its operations before long. One of its happiest contributions is a letter from a correspondent who suggests as a suitable text the following prophetic words from the 20th Psalm. "Some put their trust in chariots and some in horses."

50 years ago

Venezuela Oil Output
Port of Spain, 18th Oct.:- It is understood in oil circles here that Venezuela is planning expenditure of between five and ten million pounds on the expansion of crude oil production, and is also aiming at the production of cheaper oil for manufacturing purposes. One of the largest oil refineries in the world is to be erected by a company which has just been formed, Creole Petroleum Manufacturing and Refining Company.

FINANCIAL TIMES
Tuesday October 22 1996

Chinese roads could mean a bumpy ride

John Ridding on the hazards facing potential investors

Mr Wang Shui is giving a new meaning to roadshows. The chairman of Anhui Expressway, a builder of highways in the eastern Chinese province of Anhui, yesterday launched a tour of the US and Britain to offer shares in his company.

It is the first time a Chinese road builder has tried to sell shares abroad, and international investors will probably take some convincing.

For one thing, previous road projects, including Mr Gordon Wu's highway in southern Guangdong province, have failed to draw the projected traffic. More generally, poor earnings and transparency in many mainland companies have left investors in the shares disillusioned.

The Hang Seng China Enterprises Index, which charts the performance of shares of mainland companies, known as H shares, on the Hong Kong market stands at about 850 points, less than half its 1994 peak. Nor has recent performance been encouraging.

"Twelve out of 21 H shares came in below our already conservative estimates," said Jardine Fleming, the merchant bank, in a recent report.

Mr Wang, however, has cards to play. Sentiment towards Chinese companies has improved recently as Beijing has eased its anti-inflationary stance. Infrastructure projects have seen strong support, with Guangshen Railway, which was listed on the Hong Kong market in May, one of the most successful issues.

Anhui Expressway's share offer is very much in keeping with the infrastructure drive. China's ninth five-year plan involves total infrastructure spending of at least US$295bn by 2000, with the total road budget put at some US$65bn.

Mr Wang says Anhui province, which is inland from Shanghai, is due to build up to 600km of roads under the plan, with each kilometre costing Yn15m ($1.8m) to Yn20m. Investors in Anhui Expressway will be asked to put up just a fraction of this, although Mr Wang remains guarded about the size of the planned share issue on the Hong Kong market. But the highway chief says their contribution will be vital to the province's development, and that the province's highways are vital to China's emerging highway system.

The deputy secretary general of the provincial government says Anhui is at the crossroads between the north-south and east-west highway arteries. As trade and traffic develop, *he says, the province is strategically placed to benefit.*

Tracing the main projected routes, Mr Chen Lanzhi, deputy secretary general of the provincial government, says Anhui is at the crossroads between the north-south and east-west highway arteries. As trade and traffic develop, he says, the province is strategically placed to capitalise.

Anhui Expressway already operates a toll road, the 134km Hening Expressway, which is part of the Shanghai-Chengdu trunk road. It will acquire a section of the north-south coastal trunk road in 1997.

Last year, net profits grew from Yn49m to Yn59m on revenues of Yn85m. Mr Wang believes further growth will be fuelled by rising demand. The company predicts average daily traffic volume on the Hening Expressway will rise from 7,300 vehicles today to 12,300 in 2000 and 53,000 in 2025.

"There is a feeling that the tide is beginning to turn," says one Hong Kong merchant banker involved in Chinese equity issues. In his view, a successful journey for Mr Wang would encourage a lot more mainland companies to take to the road.

German jobless target 'unlikely to be met'

By Peter Norman in Hanover

German chancellor Helmut Kohl yesterday acknowledged he was unlikely to realise his ambition of halving unemployment by the year 2000.

In a keynote address to the annual congress of his Christian Democratic Union, the chancellor said he would be happy if unemployment fell to two-thirds of present levels. Germany has 3.85m jobless, just over 10 per cent of the labour force.

Mr Kohl delivered a fierce attack on the opposition, signalling the start of a two-year campaign for the re-election of the ruling coalition.

He reserved his most bitter criticism for the Party of Democratic Socialism (PDS), successor to the east German communist party. This underlined the CDU's fear that the Social Democrat and Green parties might try to rule with PDS support in the event of a *stalemate after federal elections due in autumn 1998.*

The chancellor staked out the CDU's claim to be the party of the centre. He spelled out what he said were the economic and social changes Germans would have to accept to enable their country to cope with the competitive forces unleashed by globalisation and an ageing population.

Mr Kohl took care to be conciliatory to other members of the ruling coalition following last Friday's debacle when the government reneged on a pledge to cut 1 point off the solidarity surcharge in January. The surcharge adds 7.5 per cent to income and corporation tax bills to help finance eastern Germany.

He praised the work of the CDU, the Christian Social Union, its Bavarian sister party, and the small liberal Free Democrat party. The nearest he came to acknowledging the strains between the FDP and its coalition partners in the days leading to Friday's decision was to admit there was room for some improvement in the coalition.

He said Germany needed to act now to reform its tax system and restructure its social welfare state to catch up with competitors in western Europe and North America.

Germans would have to work longer to finance their pensions because of their greatly increased life expectancy, he said. The congress will discuss tax reform today.

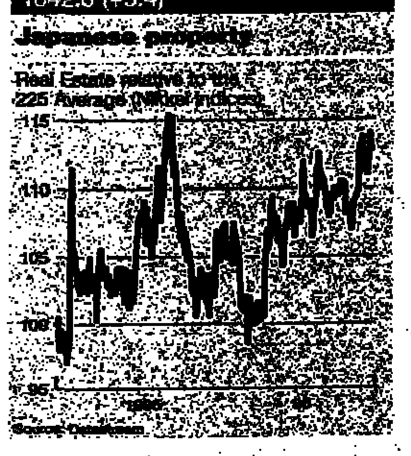
Mr Kohl – who will this month become Germany's longest-serving leader since the second world war – was later re-elected party leader with 95.5 per cent of votes cast.

See Lex

THE LEX COLUMN

Kohl sweats it out

FTSE Eurotrack 200:
1842.0 (+5.4)



Chancellor Helmut Kohl is about to become modern Germany's longest-serving leader, not because of his intellectual prowess or even his political vision. The secret of his success is his "Sitzfleisch" – an enormous capacity to sit on his political problems and ignore them until they disappear. As his Christian Democratic Union party holds its annual congress this week, Mr Kohl will need that ability more than ever.

His biggest problem is the German economy. Despite an impressive upturn in industrial orders and output since the spring, growth is forecast at a mediocre 1.3 per cent this year, followed by perhaps 2.4 per cent in 1997. The high cost of supporting those out of work, along with the holes punched into the government's fiscal reforms by the opposition, will lead to a budget deficit of around 4½ per cent of gross domestic product this year. Tax increases will reduce the deficit in 1997, but getting it below the crucial 3 per cent ceiling required for European monetary union will be devilishly difficult.

Much of Mr Kohl's discomfort can be traced to his commendable restraint – not shared by most of his neighbours – about fudging the fiscal numbers. For the German taxpayer, the motive is incidental; the outcome is that next year's expected tax relief will not materialise. With consumer spending set to remain subdued, it seems a fair bet that the monetary backdrop of a weak D-Mark and low interest rates will be around for a good while yet.

Japanese property

Do not whisper it too loudly, but Japan's property market is starting to revive. After falling by around 80 per cent from their 1992 peak, land prices appear to have bottomed out, helped by strong demand for residential condominiums. The commercial market is also looking healthier. According to estate agents Ikoma Sboji, office vacancies in Tokyo are down to 6 per cent of total stock – their lowest level in three years. And the balance of supply and demand is improving as developments started during the bubble years stop hitting the market – new lettable space in Tokyo is forecast to fall by 75 per cent between now and 1998.

Most encouraging of all, the market's gridlock is easing. The number of transactions has risen by a fifth in the past three years. Anecdotal evidence suggests deals are being struck between real buyers and sellers, not just banks and captive affiliates at artificial prices.

A recovery in the property market would be a huge boost to Japan's economic revival. The danger is that it will be promptly undermined if the banks or the bankrupt jusen housing loan companies flood the market with their surplus property. Since the government is overseeing the jusen liquidation it is in a good position to impose some discipline on this process. But once interest rates rise it will be hard to prevent indebted construction companies such as Osaka's Sueno Kosan and other distressed sellers from dumping their unwanted property.

Global custody

Morgan Stanley says it is negotiating to buy Barclays' global custody business. Barclays claims only to be discussing the potential for future co-operation. It is not difficult to work out which is keener to do a deal. The appeal for Morgan Stanley is obvious. Acquiring Barclays' custody operations, which handle £200bn ($312bn) of assets, would represent a big leap forward in its strategy of developing fee-based businesses. Trends in global custody are also playing to its strengths. Increasingly customers want multi-currency custody services; delivering this requires very large investments in technology. These patterns match Morgan's existing business, which is global, with a heavy technology emphasis.

Barclays has a more difficult hand to play. At a strategic level, management could point to shrinking margins and rising techno[logy] spend as reasons for wanting [to] leave the industry. It might [also] argue that its firepower is be[tter] spent developing market leader[ship] in an area like fund managem[ent] rather than playing in the sec[ond] division of global custody. B[ut] withdrawal would come as a shock to clients, especially ones who have only recently he[ard] assurances that Barclays is comm[it]ted to staying in custody. Smal[l] UK clients are unlikely to welco[me] the prospect of swapping the wa[rm] embrace of a UK clearing bank [for] the chilly charm of a global inve[st]ment bank. Selling out may be [the] right thing for Barclays to to; pa[in]less it will not be.

UK cable industry

Is the cable industry coming ba[ck] into fashion? The spectacle of se[v]eral telecoms companies fighting [to] buy Videotron, a UK cable compa[ny] which has been up for sale for [] months, certainly suggests so. [The] auction, likely to be won by Cab[le] and Wireless, is expected to val[ue] Videotron at £700m or £620 p[er] home – a fat premium to the £300[-]£450 per home at which Britai[n's] quoted operators, TeleWest, Nyn[ex] and General Cable, are valued [by] the stock market. Moreover, [the] successful buyer is expected to p[ut] *hard cash on the table.* Previo[us] transactions have been limited [to] cable companies swapping th[eir] own paper.

There is a reason for this sudd[en] popularity. As competiti[on] increases in long-distance telecom[s,] phone companies are switchi[ng] their emphasis to local networ[ks] such as those owned by the ca[ble] companies. Videotron would gi[ve] Mercury, C&W's UK arm, access [to] over 1m households, mainly in L[on]don. And while Videotron's start[-up] losses plus the deal's financi[ng] costs will initially dilute earnin[gs,] it does suggest C&W's new ch[ief] executive, Mr Dick Brown, is s[eri]ous about salvaging Mercury.

Whether this will trigger wi[de]sale consolidation in the ca[ble] industry is more doubtful. Ca[ble] television penetration rates h[ave] been been static for four year[s at] just over 20 per cent, while ch[urn] rates and capital investment re[main] high. Videotron's lucrative Lo[ndon] franchise give it a particular att[rac]tion, not shared by its peers.

Additional Lex comm[ent] on Emap, Pag[e]

Deutsche Telekom price surge

Continued from Page 1

who have sold these rights must buy shares when trading starts to fulfil their obligations to the purchasers.

Among those leading the grey market are BZW, the investment banking arm of Barclays Bank, one of the few large investment banks not a member of the syndicate marketing the Deutsche Telekom issue. US Securities and Exchange Commission regulations prohibit syndicate members from participating in a grey market.

Some dealers warned that the grey market could be exceptionally volatile because, as one put it, "it's just a couple of guys on the phone".

However, BZW said the market for Deutsche Telekom shares seemed more robust than usual. "It's a real market and it's a real market at a premium to the issue."

Deutsche Telekom announced that retail investors in Germany who ordered between 100 and 300 shares would be entitled to a discount of 50 pfennigs per share, or 1.66 to 2 per cent depending on the final issue price.

Genetics code of ethics

Continued from Page 1

approved yesterday at the IBA's annual conference in Berlin. It will be sent to the 170 bar associations around the world which belong to the IBA with a request that they brief their governments on its importance.

The treaty includes recommended rules for what is appropriate and what should be illegal in dealing with genetics, and sets standards for the use of human genome information in developing new healthcare treatments and therapies.

States which ratify the convention will have to adopt legislation guaranteeing that all human genetic research carried on within their jurisdiction is conducted according to internationally accepted medical, scientific and bio-ethical standards.

Ms Martine Rothblatt, who chairs the IBA's bio-ethics committee, said: "The Human Genome Project is only about five years old and already there are numerous instances of abuse being reported."

She said human genetic information, such as that used in genetic screening tests, would soon be available in all countries but only the most advanced legal systems, such as those in the European Union and the US, were likely to have national laws offering protection against abuses.

There was great scope for the misuse of genetic information, she added. "The purpose of the treaty is to make sure that all the people in the world have the benefit of legal protection."

Japan bond futures soar

Continued from Page 1

"trustworthy relationship" with his former partners, following a meeting with Ms Takako Doi, leader of the Social Democratic party, and Mr Shoichi Ide, head of the centre-left New Harbinger party. Depending on the outcome of talks, which are likely to last several days, Mr Hashimoto is expected to call a parliamentary session at the end of this month or early next.

The LDP won 239 seats in the 500-seat lower house, well ahead of its previous total. But its two allies lost heavily, suggesting the LDP should strengthen its grip over the next government.

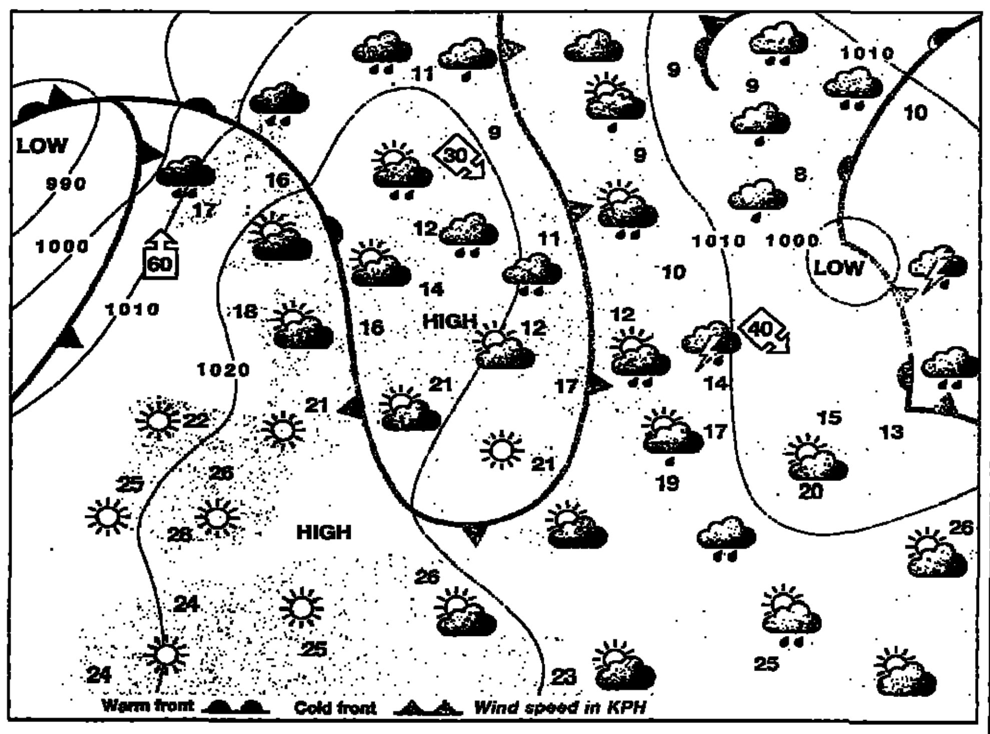
FT WEATHER GUIDE

Europe today

Most of western Europe will be mild with temperatures mainly above 15C. Cloud will increase in the western UK, followed by rain. England, the Benelux and northern France will have morning cloud and sunny periods in the afternoon. Southern France, Italy and the Iberian peninsula will have plenty of sun and temperatures above 20C. Eastern Europe will remain cool with maximum temperatures in Russia around 10C. There will be abundant cloud and the Ukraine and Romania will have patches of rain. The Balkans, Greece and Turkey will have a mixture of cloud and showers.

Five-day forecast

Western Europe will continue mild and settled. However, a band of cloud with rain or showers will cross the UK and should reach the continent around Friday. Cool air will depart from eastern Europe and it will turn dry with sunny periods.



TODAY'S TEMPERATURES

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

	Maximum Celsius	Beijing	drzzl 15	Caracas	fair 32	Faro	sun 26	Madrid	sun 26	Rangoon	shower 33
		Belfast	cloudy 16	Cardiff	cloudy 16	Frankfurt	fair 13	Majorca	sun 24	Reykjavik	cloudy 7
Abu Dhabi	sun 31	Belgrade	cloudy 12	Casablanca	sun 24	Geneva	fair 15	Malta	fair 23	Rio	thund 25
Accra	fair 31	Berlin	rain 13	Chicago	shower 17	Gibraltar	sun 22	Manchester	fair 16	Rome	sun 22
Algiers	sun 26	Bermuda	rain 27	Cologne	fair 14	Glasgow	rain 15	Manila	thund 32	S. Frsco	fair 20
Amsterdam	fair 14	Bogota	shower 18	Dakar	thund 34	Hamburg	cloudy 12	Melbourne	fair 21	Seoul	fair 21
Athens	fair 19	Bombay	fair 34	Dallas	shower 15	Helsinki	cloudy 7	Mexico City	thund 25	Singapore	fair 31
Atlanta	fair 26	Brussels	fair 15	Delhi	sun 32	Hong Kong	fair 25	Miami	sun 30	Stockholm	cloudy 8
B. Aires	fair 17	Budapest	rain 12	Dubai	sun 32	Honolulu	sun 31	Milan	sun 21	Strasbourg	cloudy 14
B.ham	fair 16	C.hagen	shower 12	Dublin	cloudy 17	Istanbul	cloudy 15	Montreal	shower 13	Sydney	sun 20
Bangkok	thund 33	Cairo	fair 26	Dubrovnik	fair 19	Jakarta	fair 32	Moscow	rain 10	Tangier	sun 24
Barcelona	sun 22	Cape Town	rain 19	Edinburgh	cloudy 14	Jersey	fair 17	Munich	cloudy 12	Tel Aviv	shower 25
						Karachi	sun 34	Nairobi	sun 27	Tokyo	fair 19
						Kuwait	fair 35	Naples	fair 20	Toronto	cloudy 15
						L. Angeles	sun 27	Nassau	sun 30	Vancouver	cloudy 12
						Las Palmas	sun 28	New York	cloudy 17	Venice	fair 19
						Lima	cloudy 20	Nice	sun 21	Vienna	rain 12
						Lisbon	sun 25	Nicosia	shower 25	Warsaw	fair 11
						London	fair 17	Oslo	fair 11	Washington	fair 19
						Lux.bourg	fair 12	Paris	fair 16	Wellington	shower 14
						Lyon	fair 16	Perth	shower 22	Winnipeg	fair 6
						Madeira	fair 26	Prague	rain 11	Zurich	cloudy 12

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday October 22 1996

IN BRIEF

Gazprom ADSs priced at $15.75

Gazprom, Russia's large gas monopoly, priced its American Depositary Shares at $15.75 apiece, towards the top end of expectations, raising $373m to fund its development plans. The most ambitious capital-raising exercise by a Russian company to date gives Gazprom an implied market value of about $37bn, making it one of the most valuable energy companies in the world. Unconditional trading in the ADSs will begin on October 28 after the shares are admitted to the London Stock Exchange.

Discovery rejects A$91.9m offer
Directors of Discovery Petroleum, the Australian oil and gas group, rejected a bid of A$91.9m ($46m), or 70 cents a share, from Premier Oil of the UK, saying that it was "neither fair nor reasonable." Their advice to shareholders came in the wake of a report by Grant Samuel, the accounting firm, which put a value on Discovery of 77-95 cents a share. Page 21

Daimler board looks at shake-up
Senior members of the supervisory board of Daimler-Benz today confront a controversial plan to merge Daimler-Benz with Mercedes-Benz, the German company's car and truck unit. Page 17

International growth lifts USAir
Strong traffic, particularly on its international routes, helped boost USAir's third-quarter results after preferred stock dividends to $45m from $22m a year ago, even after the airline set aside $41m under its 1992 profit-sharing plan. Page 19

Japan brokers braced for poor results
Japan's securities companies will today open the country's interim corporate earnings season with analysts expecting a decline in profits for the six months to September. Page 20

Lagardère shares climb further 6%
Shares in Lagardère continued to rise strongly in Paris, jumping FFr10.40, or close to 6 per cent, to FFr176.6 as investors warmed to the news of the conglomerate's success in bidding for the state-controlled Thomson defence and electronics group. Over the past three sessions the shares have put on more than 40 per cent. Page 34

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Hertiz	188.5	+	3.5
Karstadt	545.2	+	4.2
Lahmeyer	579	+	9.0
Preussag	386.25	+	5.25
VEW	505.5	+	5.5
Falls			
SGL Carbon	173.75	–	6.25
NEW YORK ($)			
Rises			
Energy Vntrs	45⅝	+	2¼
Great A&P	33⅛	+	1⅞
Marietta	23⅝	+	2⅛
Falls			
Angelica Corp	19⅝	–	1⅛
Diagnstc Prod	34⅝	–	2¼
Kennametal	35⅛	–	1⅛
LONDON (Pence)			
Rises			
Coeaf	208½	+	16
Danka Bsnss	617½	+	25
Pearson	730	+	33½
Springwood	815	+	42½
Falls			
Brandon Hire	86½	–	31
Time Products	369½	–	17
TORONTO (C$)			
Rises			
Third Cad Inv	16.9	+	1.15
MDSI Mobile	18.75	+	1.25
Viridian Inc	17.75	+	1.25

Falls			
Cameco Rcpts	24.25	–	1.6
El Eco Logic	9.75	–	2.25
Midland Wal	11.75	–	1.0
PARIS (FFr)			
Rises			
Chrstn Dior	859	+	23
Fonc Lyon	558	+	23
Lagardere	176.6	+	10.4
St Louis	1345	+	57
Falls			
Alcatel	458.8	–	8.3
BIC	750	–	24
TOKYO (Yen)			
Rises			
Mtsbshi Pistcs	507	+	16
Falls			
Fodo Const	757	–	39
Koito Manf	756	–	34
Pioneer	2310	–	120
Tobishima	415	–	31
Zexel	586	–	36
BANGKOK (Baht)			
Rises			
Muramoto Elec	37.75	+	2.75
Thai Finance	57.5	+	5.0
Tisco	135.0	+	12.0
Falls			
Interlife	58.5	–	6.5
Jutdis Dev	48.75	–	5.25
Seafresh Ind	33.5	–	3.5

Hong Kong closed. New York and Toronto prices at 12.30pm.

IBM matches highest forecasts

By Louise Kehoe in San Francisco

International Business Machines yesterday reported earnings at the top end of Wall Street estimates, with most segments of its computer and services businesses showing strong third-quarter growth.

The company also announced a worldwide initiative to expand its sales to small and medium-sized businesses with fewer than 1,000 employees.

Revenues for the quarter were $18.1bn (£11.6bn), an 8 per cent increase from $16.7bn in the same period last year. Currency fluctuations cost IBM about three percentage points in revenue growth during the quarter, the company said.

Net earnings for the quarter were $1.28bn, or $2.45 a share. This compares with $1.3bn, or $2.30 a share, a year ago, excluding a $1.8bn charge related to the 1995 acquisition of Lotus Development, a software company.

Currently about 1,000 large customers accounted for about three quarters of IBM's business, said Mr Rick Thoman, chief financial officer. But the growth rate of information technology spending by large businesses was lower than that in the small and medium-sized business sector.

IBM therefore planned to target small and medium-sized businesses and would increase its spending on marketing and sales to that sector, he said.

Reviewing third-quarter performance, Mr Thoman said business was strong with the exception of Europe, where sales remained flat.

IBM was determined to boost the competitiveness of its European operations, he said. "We are making massive change[s] in Europe. We are doing everything we can." During the third quarter IBM spent about $200m on restructuring in Europe and it plans to intensify its efforts.

IBM's personal computer division had an "outstanding quarter" said Mr Lou Gerstner, chairman and chief executive. In total, hardware revenues grew 8 per cent to $8.4bn.

Software revenues declined one per cent to $3.1bn, but grew in "high priority" products such as the Lotus Notes Tivoli system management software, said Mr Gerstner. Services revenues jumped 26 per cent to $3.9bn.

Overall, the gross profit margin was 40.2 per cent of revenues, versus 41.3 per cent in the same period last year. Total expenses increased 9 per cent, primarily because of restructuring costs and advertising expenses associated with IBM's involvement in the 1996 Olympic Games.

Net earnings for the year to date were $3.8bn, or $7.16 a share, excluding acquisition charges in the first quarter. For the same period last year net income was $4.3bn, or $7.39 a share, excluding charges.

Including acquisition charges, IBM's net income for the first nine months of 1996 was $3.4bn, or $6.36 a share, versus $2.5bn, or $4.19 a share. Revenues for the year to date were $52.8bn, a 6 per cent increase from $50.0bn in the same period last year.

IBM's share price gained $3⅛ to trade at $132½ in mid-session, a 12-month high.

Nomura sets sights on Czech bank stake

By Vincent Boland in Prague

Nomura Securities emerged yesterday as a leading candidate to buy a minority stake in the Czech Republic's third-largest bank, as further privatisation of the sector heads to the top of the government's agenda.

The Japanese securities house said it was interested in buying the 31.5 per cent stake in Investiční & Poštovní Banka that is expected to be put up for sale shortly. IPB shares rose 5 per cent on the Prague stock exchange yesterday, putting a value of about Kcs5.5bn ($201m) on the stake.

IPB has often attracted criticism for its perceived lack of transparency and insensitivity to investor concerns.

Nomura has, however, developed a close relationship with its management, which controls about 30 per cent of the equity capital. The Japanese securities house was to have been the lead manager in an issue of global depositary receipts later this year.

IPB cancelled the issue after Mr Ivan Kočárník, Czech finance minister, said on Friday the sale of the state's stake would be the first move towards complete privatisation of the banking sector.

Analysts were surprised that Nomura would want to take the stake in IPB, which has a big retail network and is active in investment banking and corporate finance. They suggested its interest may be focused on the investment banking side, which is centred on PIAS, IPB's fund management arm. PIAS has a strong portfolio of stakes in leading Czech companies.

"I cannot see that Nomura would be interested in commercial banking in the Czech Republic," said Mr Miroslav Nosal of the investment bank Patria Finance. He said Nomura's interest in PIAS "would make sense".

If PIAS were the focus of Nomura's interest it could conceivably lead to a break-up of IPB. However, analysts pointed out that Nomura would only have a minority stake in IPB and would need to reach agreement on its strategy with the management.

ING, the Dutch financial services group, has also been touted as a partner for IPB, but it declined to comment yesterday.

Mitsubishi to start commercial satellite production

By Michiyo Nakamoto in Tokyo

Mitsubishi Electric is poised to become the first Japanese company to manufacture satellites for commercial use and enter an expanding global market dominated by western companies.

Mitsubishi plans to start making commercial satellites in 2000 to take advantage of increasing global demand. "There is a growing market and we would like to take part in providing what is expected to be a major infrastructure for the universe," Mitsubishi said.

The move by the Japanese company into the world satellite market would give Japan a presence in one of the few advanced technology industries where it is under-represented.

Satellite production has been dominated by western manufacturers, particularly US companies, which are about 20 years ahead of the Japanese in terms of experience and technology.

US companies are able to complete a satellite in half the delivery time and at half the cost of a Japanese company, Mitsubishi admits.

The gap between US and Japanese satellite makers stems largely from the difference in the two countries' national space programmes. The US programme, which began much earlier than the Japanese one, is believed to have about 10 times more funds available than the Japanese programme. As a result, Japanese companies have found it difficult to make profits from satellite production.

In addition, all the satellites that have been procured since 1990 by the Japanese government for commercial purposes have been made by foreign companies.

Japanese companies have produced satellites for Japan's National Space Development Agency (NASDA) that are being used for experimental tests and scientific research.

Until 1990 some of these were used for commercial purposes as well. However, US pressure on the Japanese government to open procurement for commercial satellites to competitive bidding has meant that all satellites ordered since 1990 by NTT, the telecommunications group, or NHK, the public broadcaster, have been foreign-made. The two communications satellites most recently launched by private companies have also been foreign-made.

Japanese satellite producers have, however, continued to supply NASDA with non-commercial satellites and have been working towards raising their cost competitiveness and improving delivery times and product quality.

Mitsubishi, NEC and Toshiba are the only three Japanese companies that are capable of producing complete satellites.

Mitsubishi, which has been the prime contractor for half the 37 satellites launched by NASDA so far, has raised the competitiveness of its components. Its initial aim is to win an order from Space Communications, a Mitsubishi company that provides satellite communications services.

Norsk Hydro slips in third quarter

By Hugh Carnegy in Stockholm

Norsk Hydro, Norway's biggest listed industrial conglomerate, yesterday reported a sharp reverse in earnings in the third quarter after setbacks in three of its four main areas of operations.

Pre-tax profits slid from NKr2.7bn ($415m) during the same period last year to NKr2.3bn, despite a rise in turnover from NKr18.2bn to NKr20.2bn. This was due to lower earnings in its metals, petrochemicals and fertiliser divisions.

Group performance was held up by a sharp increase in profits in its oil and gas operations which were buoyed by high oil prices. "This illustrates again that our diverse activities often have a balancing effect on earnings," said Mr Egil Myklebust, chief executive.

But high Norwegian taxes on petroleum earnings left group net profits down 45 per cent from NKr1.7bn to NKr909m. Earnings per share fell from NKr7.30 to NKr4.00.

The result was below market expectations and analysts said they were set to lower forecasts for Norsk Hydro's full-year performance. Pre-tax profits for the first nine months fell from NKr9bn to NKr8.4bn, while net earnings were down from NKr5.7bn to NKr4.2bn.

Norsk Hydro shares fell NKr5.00 before recovering to close down NKr1.00 at NKr305.

The main damage was done in the light metals division where operating profits tumbled from NKr943m in the third quarter last year to NKr158m on sales down from NKr5.5bn to NKr5bn.

The company said it was hit by lower aluminium prices – and expressed some exasperation about the situation on world markets. "Aluminium inventories have been stable for a long time and demand has not changed very very much, yet the price has dropped. It is kind of strange," said Mr Odd Gullberg, a group official.

He said there was speculation that the market was being manipulated – but said Norsk Hydro had no evidence. "It would be very difficult to manipulate," he added.

Lower petrochemicals prices also more than halved operating profits in that division from NKr348m to NKr118m in the third quarter, with sales falling from NKr1.6bn to NKr1.4bn.

The group's biggest division, covering agriculture products, increased turnover from NKr7.8bn to NKr8.7bn. European fertiliser operations strengthened with both profit margins and volumes ahead of the same period last year. But profits were down for fertilisers outside Europe and there was a fall in profits in KFK, Hydro's Danish feedstuff subsidiary. Divisional operating profits slipped from NKr580m to NKr526m. The big exception to the fall in profits was in the oil and gas division, which covers production as well as downstream activities. A combination of increased production levels and high oil prices drove up operating profits from NKr859m in the third quarter to NKr1.3bn, while sales rose from NKr3bn to NKr4.6bn. For the first nine months, oil and gas profits jumped from NKr2.2bn to NKr4.3bn.

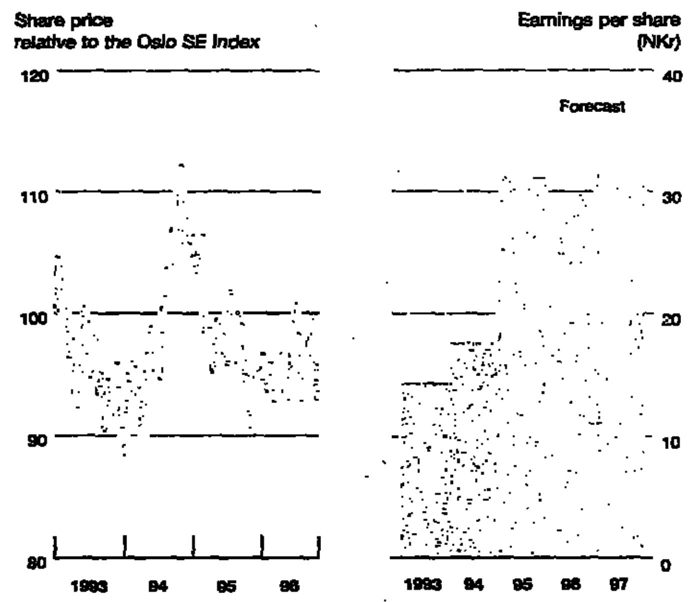
The big exception to the fall in profits was in the oil and gas division

The division's operating income in the third quarter would have been even higher but for a NKr400m write-down due to a downward revision of reserves in the North Sea Frigg field. The write-down came on top of a NKr755m write-down made in the second quarter for similar reasons.

Metal fatigue

Market value	$10.75bn
Main listing	Oslo
Historic P/E	9.7
Gross yield	2.0%
Earnings per share	NKr 31.13
Current share price	NKr 305

Egil Myklebust, president & CEO



Source: Extel, Datastream, Reuter, ABN Amro

Bid battle for Videotron of UK nears conclusion

By Alan Cane and Christopher Price in London

The long-running battle for control of the UK's Videotron Holdings, was inching towards a conclusion last night – with several telecoms companies continuing to vie for the UK's seventh biggest cable company.

Cable and Wireless, the UK-based international telecoms operator, remained the favourite to clinch Videotron in a deal expected to be worth about £700m ($1.1bn). Deutsche Telekom, the German telecoms group, and International CableTel, the US cable group, are also believed to remain interested and talking to Goldman Sachs, the US investment bank handling the sale.

A C&W victory would give Mercury, its UK subsidiary, direct access to over 1m households in the lucrative London area where Videotron is strongest. Mercury already has a large number of direct business connections, and is keen to expand into the residential market.

The acquisition of Videotron would also be a coup for Mr Richard Brown, C&W's new chief executive, who is keen to expand the group's UK interests.

The C&W offer is likely to involve Bell Cablemedia, the Canadian-owned company which is also the UK's third largest cable group. It owns 26 per cent of Videotron Holdings, while C&W in turn has a 13 per cent interest in Bell. C&W is likely to put up the bulk of the finance for the deal in return for an increased stake in Bell.

The battle for Videotron is the latest development in the consolidation of the cable industry which has struggled to attract large numbers of subscribers and is still riven by large losses as it continues its extensive construction programme.

It comes a week after Nynex and Telewest, the two largest UK cable operators, called off merger talks after several months of negotiations. The number of cable companies has fallen from 36 to 12 in the past five years.

Bell's interests are concentrated on the south coast and in north Kent. The UK business reported a net loss of £7.6m in the quarter to May 31 against a loss of £2.7m in the same period a year ago. However, the losses were incurred while increasing market share. Revenues rose by £15.5m to £33.3m.

Videotron Holdings was put up for sale in February by its parent company, Videotron, Canada's third biggest cable television operator, which holds a 56 per cent stake.

Bell was the early favourite to secure the Canadian company's stake due to its 26 per cent stake and what it considered to be first option on any subsequent share sale by Videotron. However, after lengthy legal argument, Videotron invited other bids and received several approaches.

By July, there were four main contenders, International CableTel, Deutsche Telekom, Cable and Wireless and Bell Cablemedia.

Lex, Page 14

Bourguignon to co-ordinate Disney's European operations

By Andrew Jack in Paris

Walt Disney has promoted the head of its Disneyland Paris theme park to the position of an executive vice-president, with responsibility for co-ordinating the group's activities across Europe.

Mr Philippe Bourguignon, chairman and chief executive of Euro Disney, the quoted company which runs the Paris park, will take on the additional post while retaining his existing role.

The move marks an important step by Disney to place greater emphasis on its operations outside the US and to build connections between its different operating subsidiaries, including product merchandising and television and cinema production.

It also reflects the apparent confidence placed by the Disney board in Mr Bourguignon, who took over the operation of Euro Disney in 1993 and has played an important role in turning round the park, including overseeing a wide-ranging financial restructuring during 1994. Euro Disney's shares closed up 1.9 per cent at FFr10.80.

The appointment comes ahead of publication of Euro Disney's full-year results in mid-November, which will be closely watched by analysts to see whether the company's recent modifications to its prices, and new attractions, have lifted visitor numbers and operating profits.

The heads of Disney's business units will continue to have responsibility for, and be accountable to the group for, the operation of their units.

Mr Michael Eisner, Disney chairman and chief executive, said that by using Mr Bourguignon as "the focal point for our businesses in Europe, we are ... more tightly aligning all of the creative strengths of Disney with the Disneyland Paris resort".

Mr Bourguignon said last night: "I am very happy. My position does not change but my responsibilities are broader. I will help Disney to understand Europe better and those in Europe to understand Disney globally."

He said it was currently difficult to calculate how much of Disney's business comes from Europe, and that one of his objectives would be to attempt to define global statistics.

He stressed that he would continue to be based in Euro Disney's offices at the theme park in Marne La Vallée, east of Paris, rather than in Disney's new central Paris headquarters, and would continue to spend most of his time dealing with the park.

Philippe Bourguignon: 'I am very happy'

BBV posts 26.5% advance at nine-month stage

By David White in Madrid

Spain's Banco Bilbao Vizcaya posted a 26.5 per cent increase in attributable net profits for the first nine months of the year to Pta70.46bn ($543m), attributing the rise mostly to its core domestic banking business.

The impact of the result, slightly higher than most analysts were expecting, was somewhat marred by an unexplained last-minute delay in the presentation of the figures. The delay was compounded by a press release which erroneously reported the increase as 20 per cent, which would have been below expectations.

The 20 per cent figure in fact referred to overall consolidated net earnings including minority interests, which climbed from Pta71.95bn to Pta86.34bn for the nine months. BBV is the number two Spanish bank in terms of group assets and number one by stock market value.

The profit increase, continuing the trend set in the first two quarters, came after a sharp increase in loan provisions, which more than doubled to Pta60.42bn compared with the same stage last year.

Mr Luis Bastida, general manager for finance, said that 100 per cent of non-performing loans were now covered by provisions, making BBV the first big Spanish banking group to reach this level for its business as a whole.

He said the group was confident it would show an increase of over 20 per cent in attributable net profit for the year. This would follow a 16 per cent rise to Pta84bn in 1995.

The group was now well ahead of the targets set in its "1,000 days" programme – a strategic plan launched early last year.

The nine-month results included the first month of profits from the bank's 40 per cent stake in the leading Colombian bank, Banco Ganadero, the purchase of which it completed in August for $328m.

Operating income for the period soared by 47.6 per cent from Pta116.17bn to Pta171.49bn. This was despite an increase of more than 13 per cent in operating costs, which the bank said was largely a reflection of its Latin American acquisitions. Without these, the increase was less than 4 per cent.

Market operations produced sharply higher profits of Pta31.58bn compared with Pta3.46bn in the same period last year, following a restructuring in the bank's markets area. BBV's shares rose 1.5 per cent on the Madrid exchange yesterday to Pta6,050.

Latinvest deal, Page 18

CME wins its first licence to broadcast in Poland

By Kevin Done, East Europe Correspondent

Central European Media Enterprises (CME), the US pioneer of private commercial television in east Europe, has been awarded its first broadcasting licences in Poland, the biggest single market in central Europe.

The group, which is Nasdaq quoted and is controlled by Mr Ronald Lauder, one of the heirs to the Estée Lauder cosmetics fortune, is also seeking to raise new equity totalling about $82m with the issue of 3m shares to fund its rapidly growing east European activities.

In addition it is negotiating a $50m revolving loan facility with a group of banks led by ING of the Netherlands and is seeking to expand into mobile telecommunications in Romania.

CME is the co-owner of the leading commercial television stations in the Czech Republic, Romania, Slovenia and Slovakia and has growing interests in Ukraine, where it plans to apply for licences to develop a new national television station.

It is expected to be one of the front-runners in the forthcoming tenders for national licences in Hungary.

The group has suffered setbacks in its regional television operations in Germany, however, and is seeking a new partner for the Berlin station, Puls, in the face of mounting losses.

CME said that the Polish National Radio and Television Council (KRRiTV) had provisionally awarded nine television frequencies for northern Poland plus Warsaw and Lodz to TVN, its joint venture company with ITI TV holdings, the Polish media group. CME holds a 33 per cent stake in TVN and ITI 67 per cent.

The final licence awards are expected in the next six to eigth weeks. CME estimates that the 11 licences will reach some 7m people.

Although thwarted in its bid for the separate licence for central Poland, which has been awarded provisionally to Nasza Telewizja (NT), a group of local Polish businessmen, TVN is planning to expand its operations to southern Poland.

It has recently acquired a 3 per cent stake in the troubled TV Wisla and has an option to increase its holding to 49 per cent.

TV Wisla covers 20.3 per cent of Poland's TV households and together TVN and TV Wisla would cover almost 15m viewers.

CME said that TVN planned to enter discussions with other Polish licence holders and cable operators to seek additional co-operation deals to extend its programming reach.

ITI announced earlier this month that it planned to raise about $35m in a private placement to develop its Polish cinema and television operations.

CME said that the proceeds from its latest share issue together with other funding measures should satisfy the group's operating and capital requirements for the next 12 to 18 months. It has previously raised gross proceeds of $168m in two share offerings in October 1994 ($76m) and in November last year ($92m).

It said that as a result of its "growth strategy" it expected "to incur additional net losses for at least the next several years", despite the significant profits already being generated by Nova TV in the Czech Republic, where CME began broadcasting in February 1994.

CME said that it was seeking a strategic partner in Germany to take on a "significant equity interest" in Puls TV, the local Berlin station in which it owns a 55.9 per cent stake.

CME's east European empire

Television broadcast operations	Territory	Broadcast reach (millions)	Economic interest %
Nova TV	Czech Republic	10.3	88
Pro TV	Romania	11.1	77.5
Pop TV	Slovenia	1.5	72
Markiza TV	Slovak Republic	3.3	80
Studio 1+1	Ukraine	50.9	50
Puls	Berlin-Brandenburg	6	55.9
Nuremberg station	Nuremberg	1.1	37.4
Leipzig station	Saxony	0.7	16.2
Dresden station	Saxony	1.1	16.2
Total		86	

Source: CME

EUROPEAN NEWS DIGEST

Endesa may sell electrical utilities

Shares in three northern Spanish electrical utilities were suspended from trading yesterday after reports that the independent Hidrocantábrico company was seeking to buy control of the other two, Electra de Viesgo and Saltos del Nansa, from the state-controlled Endesa group.

The centre-right government has said it wanted Endesa to reduce these holdings under a reorganisation of the sector prior to further privatisation of Endesa, currently 67 per cent state-held. Shares in Electra de Viesgo, in which Endesa holds 86.7 per cent, shot up by 12.5 per cent last Friday, lifting the market value of the stake to Pta46.8bn ($361m).

The reported move by Hidrocantábrico, which would not comment on its plans, follows the announcement of a public offer by Endesa worth almost Pta200bn to increase its stakes in two other power companies, Sevillana in the south and Fecsa in Catalonia, to 75 per cent.

David White, Madrid

H Pylori Study Group findings

The European Helicobacter Pylori Study Group, comprising researchers from 19 European countries, said it has recommended prescription of a class of drugs including Losec, Astra's top-selling drug, as first choice for eradication therapy for the H Pylori bacterium that causes ulcers.

The group recommended that H Pylori infection should be treated with a one-week eradication therapy involving two doses daily of a proton pump inhibitor such as Losec, in combination with two antibiotics.

The study group released a consensus recommendation for proton pump inhibitor-based therapy over treatments based on the older H2 antagonist ulcer treatments, such as Glaxo Wellcome's Zantac. Losec is the leading ulcer treatment, but proton pump inhibitors are also produced by Germany's Altana, which produces pantoprazole, and Japan's Takeda Chemical Industries, which produces Prevacid. Merck of the US markets Losec under licence to Astra in the US as Prilosec, while Abbot Laboratories markets Prevacid in the US.

AFX News, London

France agrees sale of CGM

The French government said yesterday it had sold Compagnie Générale Maritime, the shipping group, to Compagnie Maritime d'affrètement, its privately-held Marseilles-based rival, for an undisclosed sum. The combined group will be Europe's fourth-largest shipping group and the 14th in the world, with 50 vessels and a policy of ensuring most of its sailors are French. CGM reported losses of FFr497m ($95.3m) for 1995 on a turnover of FFr3.5bn.

Andrew Jack, Paris

Pharmacia seeks biotech partner

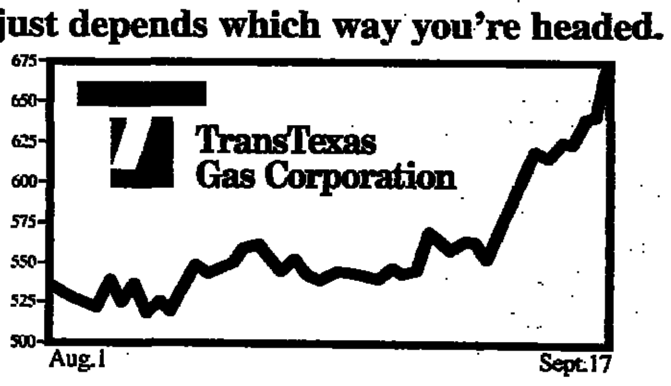
Pharmacia & Upjohn, the Swedo-American healthcare group, has appointed Credit Suisse First Boston to find a strategic partner for its Pharmacia Biotech unit, but has no current plans to sell the whole unit, the company told Direkt, the local news agency. According to a report in newspaper Dagens Nyheter, the group was looking to sell the unit for $500m-$600m.

AFX News, Stockholm

Partek profits sharply lower

Profits at Finnish construction group Partek for the eight months to August fell from FM115.4m last year to FM81.5m ($17.7m). The company said the full-year result after financial items will be clearly lower due to the sharp deterioration in Cargotec's result. But net profit for the full year will be much higher than last year because of profits on disposals, it added. The company earlier this year sold its shareholding in concrete company Euroc to Aker of Norway for FM1.6bn.

Agencies, Helsinki



Werner opposes Daimler-Benz shake-up

By Wolfgang Münchau in Frankfurt

Senior members of the supervisory board of Daimler-Benz today confront a controversial plan to merge Daimler-Benz with Mercedes-Benz, its car and truck unit.

The reorganisation was proposed last week by Mr Jürgen Schrempp, chairman of Daimler, but Mr Helmut Werner, chairman of Mercedes, has indicated stiff resistance to changes that would make much of his current job redundant.

The confrontation between the company's two most senior executives is widely expected to intensify over the next few weeks.

It will fall to the supervisory board, headed by Mr Hilmar Kopper, chairman of Deutsche Bank, to find a solution.

Under the proposal, Mercedes would cease to exist as a separate company. Its various business units would fall under the direct control of Daimler's management board.

Mr Karl Feuerstein, head of the company's works council, also yesterday expressed scepticism about the reorganisation plans.

A merger would eliminate Mercedes-Benz's 10-member management and 20-member supervisory boards, including 10 members drawn from the ranks of workers' representatives and trade unions. They include Mr Feuerstein, who is also a member of the supervisory board of Daimler-Benz.

Under the proposal four Mercedes management board members would rise to the board of Daimler-Benz, which would take direct control of the business units.

They are Mr Kurt Lauk, head of commercial vehicles; Mr Jürgen Hubbert, head of the car division; Mr Dieter Zetsche, head of sales; and Mr Heiner Tropitzsch, personnel manager.

Mr Manfred Gentz will remain as finance director of Daimler, but is expected to give up responsibility for personnel to Mr Tropitzsch.

Mr Schrempp has offered Mr Werner the job of deputy chairman, a new position which would give Mr Werner nominal responsibility for motor vehicles. But Mr Schrempp will himself take a keen interest in these areas, leaving Mr Werner without an effective portfolio of its own.

Inside Daimler-Benz, the issue has been the subject of several board-level discussions since August 31. Last week, six of the seven board members signalled support for the plans, leaving Mr Werner in sole opposition.

The supervisory board is scheduled to meet on November 6, although it is not clear whether Mr Kopper wants to force the issue at that time.

Austria sets bank sale back in motion

By Eric Frey in Vienna

The Austrian finance ministry yesterday relaunched the stalled privatisation process for Creditanstalt and invited interested parties to submit bids for the government's 70 per cent voting stake until November 15.

The renewed tender offer, which is again managed by J.P. Morgan's London office, became necessary when a bidding consortium consisting of Austrian, Italian and German groups collapsed last month.

Mr Viktor Klima, finance minister, said he hoped to complete the privatisation of the country's second-largest bank before the end of the year so he could use the estimated receipts of Sch15bn ($1.4bn) for the 1996 budget.

Bankers in Vienna said they expected the consortium led by EA-Generali, the subsidiary of the Italian insurer Generali, to make another bid for Creditanstalt. The consortium, which includes Commerzbank of Germany and Banca Commerciale Italiana, might even get back together with First Austrian Savings Bank, which fell out with its partners over the terms of an operational link-up with Creditanstalt.

Alternatively, First Austrian might try to find other financial backers to set up its own consortium.

Mr Klima earlier hinted at other prospective buyers from abroad, but none has yet stepped forward publicly. The Creditanstalt privatisation has dragged on for more than five years.

EUROPEAN NEWS DIGEST

French rescue for Thomson 'too late'

The French government yesterday dismissed reports of an imminent bid to keep Thomson Multimedia in French hands, and said even if such a bid materialised, it would come too late to upset the planned takeover of the consumer electronics company by Daewoo of Korea. La Tribune, the French business daily, yesterday claimed knowledge of discussions in French financial circles to mount a "white knight" challenge to Daewoo around "a recognised and uncontested [French] businessman".

The government said it knew of no such initiative, and that in any case bidding had closed on September 16 with only two offers on the table. Last week the government expressed a preference for the bid by Lagardère, which intends to sell Multimedia on to Daewoo, over the rival offer of Alcatel. Therefore these are the only two bids to be considered by the government's privatisation committee which in the next few weeks is expected to endorse the government's choice.

The prospect of a last-minute French rescue appears to be wishful thinking on the part of many French, including unions inside Multimedia. They resent that the only financial detail of the Daewoo deal disclosed to date by the government is that the Korean group will pay a symbolic FFr1 for the electronics company in which the French state has invested so much money. But Daewoo has in effect revealed its real purchase price by saying it will take over nearly FFr5bn ($980m) of Multimedia's FFr14bn debt, the remainder of which will in effect be erased by the French government. *David Buchan, Paris*

Greek soft drinks group slips

Hellenic Bottling Company, the Greek soft drinks manufacturer which holds Coca-Cola franchises for Greece, Bulgaria and Armenia, reported a 7.2 per cent decline in consolidated first-half pre-tax profits to Dr13.7bn ($56.8m), despite a 4 per cent increase in first-half sales to Dr76bn. The company blamed worsening economic conditions in Bulgaria, including a sharp fall in the value of the lev, as well as a slow start to the tourist season this year.

HBC has investments of more than $100m in Bulgaria. In addition to operating five joint ventures with local soft drinks bottlers, it has a joint venture with Athenian Breweries, the Heineken affiliate in Greece, which controls Zagorka, Bulgaria's largest beer producer.

HBC said its problems in Bulgaria would not hold back planned investment elsewhere in the Balkans. The company has been awarded Coca-Cola franchises for Serbia and Macedonia, where it intends to invest $50m in joint ventures with local bottlers. *Kerin Hope, Athens*

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com.

Volkswagen seeks a place in the van

Europe's largest carmaker sees potential in market for light commercial vehicles

Volkswagen, Europe's biggest maker of passenger cars, thinks it can also become the leader in light commercial vehicles within the next two years.

"We have a potential which hasn't been realised", says Mr Bernd Wiedemann, head of the commercial vehicles division.

Mr Wiedemann forecasts that VW's sales of vans and light trucks in Europe will soar 65 per cent, to 250,000 units, by 2000. Worldwide, he expects registrations to climb nearly 20 per cent to 450,000 units.

In 1995, commercial vehicle sales in Europe amounted to DM5.6bn ($3.78bn) and more than DM9.5bn worldwide. Turnover in Europe this year should jump about 20 per cent and about 10 per cent worldwide.

To reach its targets, the group last year upgraded commercial vehicles into a new "fifth brand" alongside VW, Audi, Seat and Skoda, its four better-known car marques.

The emergence of commercial vehicles after decades in the shadow of passenger cars reflects a new set of priorities, Mr Wiedemann says.

- Buoyant expectations. International demand for light commercial vehicles of up to six tonnes is expected to "grow out of all proportion" to cars, he says. The world market for light commercial vehicles should surge to 18.1m units a year by 2000, compared with 13.6m today.
- Inadequate focus in the past. VW has built vans and light trucks for years. However, they account for a lower proportion of its overall sales than for other large carmakers.
- Untapped potential. VW has failed to capitalise on its reputation in cars when it comes to commercial vehicles. Its internationally known name and an extensive dealer network in cars were insufficiently exploited in marketing commercial vehicles, he argues.

VW has two other, less publicised, reasons for emphasising vans and trucks. Establishing commercial vehicles as a separate profit centre within the group is part of the strategy of Mr Ferdinand Piëch, VW's chairman, to make all its operations more transparent.

Traditionally, the profitability of vans and trucks had been hard to judge, as the business has been inextricably intertwined with cars.

Greater transparency is also part of Mr Piëch's campaign to raise competition between VW's brands to lift the competitiveness of the group as a whole.

After deciding to to create the "fifth brand" last year, VW has reorganised its dealerships into a separate chain of commercial vehicle specialists. While some may also sell cars, many now deal exclusively with vans and light trucks, he says.

However, the most important changes have been in sheet metal. While VW's Transporter van and rivals such as Ford's Transit are the most popular commercial vehicles on European roads, VW has been conspicuously weaker in small urban delivery vans, in light trucks of 7.5-10 tonnes and in vans slightly heavier than the Transporter - the three other segments of the commercial vehicles market.

In the past year, VW has responded with more competitive new products. It has sometimes simply rebadged existing vehicles from its foreign subsidiaries. That has allowed the group to fill the gaps in its range and to save money, explains Mr Wiedemann.

In the new Caddy range, for example, the Caddy van is based on Seat's Cordoba saloon, while the pick-up is a rebadged Skoda Felicia derivative. VW has gone even further afield with the new L80 light truck. The 7.5-10 tonne vehicle is imported from the group's Brazilian subsidiary.

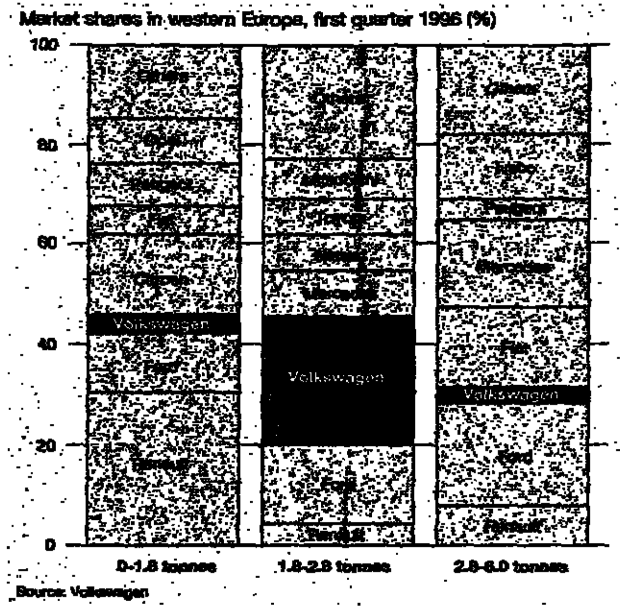
Caddy sales are forecast to reach 45,000 units in Europe next year, compared with an estimated 24,000 in 1996. Although the L80 was held up by the dissolution of VW's Autolatina joint venture with Ford, sales should accelerate once output starts at a new VW plant in Brazil.

Mr Wiedemann believes broadening the product range and exploiting links within the VW group will ensure his division's long-term profitability.

Haig Simonian

Europe's leading light commercial vehicle makers

Market shares in western Europe, first quarter 1996 (%)



Source: Volkswagen

Rautaruukki reports 25% fall in eight-month profits

By Hugh Carnegy in Stockholm

Depressed demand and low European steel prices drove down profits by 25 per cent at Rautaruukki, the Finnish steel group, in the first eight months.

Pre-tax profits fell from FM605m at the same stage last year to FM452m ($98m) as Rautaruukki, one of the Nordic region's leading producers, suffered from weak economic growth and winding down of large stocks in its main west European markets.

Earnings per share dropped from FM4.81 to FM3.25. Rautaruukki shares yesterday fell FM0.40, or 1 per cent, to close at FM40.

But Rautaruukki, which has continued to increase capacity despite the downturn, said demand for steel was expected to pick up in the latter part of the year in the Nordic countries and elsewhere in Europe.

It said the fall in prices had halted, and it expected a trend of hardening prices in some products, including coated sheets, hot rolled plates and some long steel products, to continue.

The group forecast a jump in sales to FM13bn for the full year – up from FM9.2bn in 1995 – and said full-year profits should reach the 1994 level of FM648m. Full-year profits in last year, a peak year, hit FM954m.

Sales in the first eight months rose sharply from FM5.9bn to FM8.5bn due to the consolidation of operations at Fundia, a Swedish long steel maker which Rautaruukki bought out from its erstwhile Norwegian partner in the company earlier this year. Net of Fundia, sales grew only marginally to FM6bn.

The group warned that a Swedish tax ruling against Fundia would cost some SKr83m ($12.5m), provisions for which would be made in the full-year accounts. It said it was appealing the ruling with the Swedish authorities.

Output at Rautaruukki's Raahe Steel division, its biggest unit, had been hit by modernisation work and some machinery damage. Replacement steel was bought in from outside but the division's operating profits fell 47 per cent, from FM763m to FM401m.

Skandia lifts Pohjola vote

Skandia, the Swedish insurance group, yesterday said it was raising its voting stake in Pohjola, the leading Finnish insurer, from 3.5 per cent to 7.8 per cent by switching its interests into the group's A shares, reports AFX News in Stockholm.

Skandia's previous stakeholding in Pohjola was held in the Finnish group's D shares. Its capital stake in Pohjola is unchanged after the swap at 10.9 per cent.

Over recent months, Pohjola has been subject to bid speculation. Press reports suggest that Merita, the banking group, may be considering a merger with Pohjola to acquire its life and pensions operations, with the general insurance operations then sold on to another party.

Skandia has been mooted as a possible bidder for these operations. Mr Lars-Eric Petersson, Skandia chief executive designate, said the group had no plans to increase its voting stake further.

The increase was made with Pohjola's full agreement and showed Skandia's continued confidence in the company and its wish to remain a long-term shareholder, he added.

Skandia would present a new strategy for the group to be released after its full-year results, which are due in early 1997, Mr Petersson said.

He added that he would like to strengthen Skandia's operations both in Sweden and abroad, and said he was open to the idea of international mergers and partnerships.

Food operations help lift RJR Nabisco 14%

By Lisa Bransten in New York

Strength in the foods business helped lift third-quarter earnings at RJR Nabisco, the US tobacco and food group, but the shares were largely flat yesterday amid worries about the company's declining share of the US tobacco market.

Net income after preferred stock dividends rose 14 per cent from $185m to $218m in the same period last year. Sales rose 7 per cent from $4.1bn to $4.3bn, boosted largely by a 9 per cent increase in food sales. Earnings per share rose 18 per cent to 66 cents, helped by an aggressive share buy-back programme and a one-off charge for debt reduction taken last year.

US tobacco sales edged up by 3 per cent in the quarter to $1.19bn, while volumes slipped by 3 per cent, due to competitive pressures in the full-priced segment and a decline in the low-priced sector. Results were better internationally where sales rose 6 per cent to $920m on a 5 per cent rise in volumes.

Mr Martin Feldman, of Smith Barney, the broking house, said the report showed no sign that the company was having any success shoring up market share or boosting profit margins in its core business. Philip Morris, RJR's much bigger rival, should show stronger growth when it releases its earnings later this week, he said.

Mr Feldman added, however, that RJR's food business "seemed to be experiencing a bit of a turnround".

Last week Nabisco Holdings, 80.5 per cent owned by RJR, reported that, including one-off charges taken this year and last, earnings rose 35 per cent to $70m as sales rose 9 per cent to $2.23bn.

Investors battered the shares of both RJR and Philip Morris on Friday after the scientific journal Science published a study that directly linked smoking with lung cancer for the first time. RJR said it was monitoring the research but that basic elements had been known for many years and that it did not expect the findings to affect pending tobacco-related suits.

Shares in RJR, which slid 6 per cent on Friday, were unchanged at $26¾ early yesterday. Philip Morris recaptured $1 of the $5⅝ it lost bringing its shares to $93¾.

Genentech overcomes fall in sales to advance 20%

By Tracy Corrigan in New York

Genentech, the US biotechnology company, reported a 20 per cent rise in net income in the third quarter, despite a fall in product sales.

Third-quarter earnings per share of 41 cents, up from 33 cents a year ago, substantially exceeded analysts' estimates, but failed to prompt a reaction in the stock market.

Net income jumped to $51m in the period, compared with $40m a year ago. A fall in product sales from $158m to $142m was partly balanced by an increase in revenues from royalties to $54m, up from $46m the previous year. This is because Roche, the Swiss drugs group which owns a 66.5 per cent stake in Genentech, has been taking over sales of Genentech products, and paying Genentech royalties on these sales instead.

In late 1995, Genentech began receiving royalties on European sales of Pulmozyme and on all Canadian sales of Genentech products, following an agreement completed earlier that year. Genentech said that on a pro-forma basis, sales increased by $1.3m in the quarter. Roche has options that can be exercised in 1999 to buy out the rest of Genentech.

"Unlike a lot of biotechnology companies, Genentech does have sales and earnings, but these have matured and the big growth is coming from royalties," one analyst said.

The company earned interest of $16m in the third quarter, slightly higher than last year, reflecting Genentech's continuing balance sheet strength – it ended the quarter with $666m in cash and $511m in marketable securities.

However, it continues to plough large sums of money into research and development expenditure, which rose to $114m in the quarter from $86m.

"We continue to take a long-term financial view while investing aggressively to back our pipeline," said Mr Arthur Levinson, president and chief executive officer. "As products begin to emerge from our pipeline, they have the potential to improve significantly our earnings as we approach the next century."

The company also announced yesterday that it was shelving its plan to fund research and development of certain products through international subsidiaries, while it reviews its operating plan for 1997 and beyond. As a result, the company said its tax rate was expected to be 20 per cent for the fourth quarter and for the full year, but will increase to about 35 per cent in 1997.

Apple launches fight for market share

PC group is back in black but needs technology breakthroughs, says Louise Kehoe

Apple Computer's return to profitability last week, ahead of expectations, has raised morale and calmed fears about the PC manufacturer's survival.

Both may be critical as Apple attempts to stem a continuing decline in its share of the world PC market. Sales of Apple Macintosh PCs have dropped sharply over the past 12 months and were down 23 per cent in the fourth fiscal quarter, ended September 27, at $2.3bn.

Moreover, over the past year there has been an exodus of about 2,000 employees who have fled to take up jobs at other computer and software groups. This is in addition to the 900 laid off and about 1,000 manufacturing employees who left Apple's payroll when the company sold its US manufacturing plant.

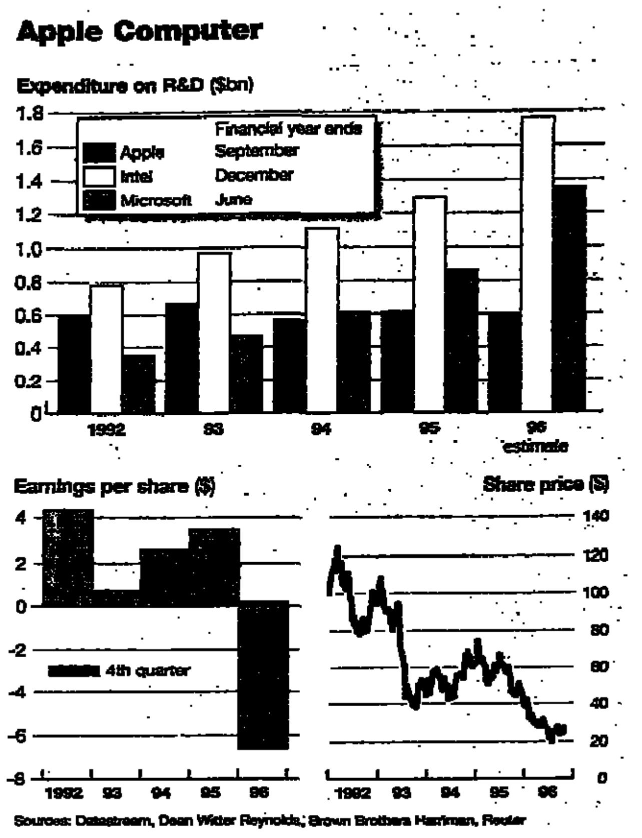
Yet the modest fourth-quarter net profit of $25m, or 20 cents a share, may not be repeatable in the current quarter and analysts believe Apple has a long way to go to achieve a full recovery.

The fourth-quarter results included a $28m pre-tax gain from the reversal of part of the company's previous restructuring charges. Without this, net income would have been only $8m, or 6 cents a share.

There were other special factors that helped Apple climb into the black. These included sales of older products that had previously been written off and lower memory chip prices. Outsourcing of a large portion of US operations has also helped to reduce costs.

Fourth-quarter results were helped by strong sales to US schools, which usually make their purchases in the summer months. This was the only broad market sector in which Apple's sales increased against the same period last year.

The odds on Apple producing a net profit in the current quarter are "too close to call," says Mr Fred Anderson, chief financial officer.



The Christmas buying season has traditionally lifted Apple's first-quarter sales, but the company expects first-quarter revenues to be roughly equal to those of the fourth quarter.

Marketing costs will rise as Apple spends more heavily on consumer advertising. Profit margins could also come under pressure if the company becomes caught up in an end-of-season price-cutting battle. Last week, the company launched a new low-end consumer version of the Macintosh that will be priced in the US at $1,500. Prices on other consumer Macintosh models were slashed by as much as 20 per cent.

Further expense reductions are, however, possible. Apple is planning an additional 600 job losses. The company is also "continuing to evaluate" the future of its factories in Ireland and Singapore, Mr Anderson says. Selling these plants is one option that Apple may consider, although there are no plans to do so at present.

By the January quarter, Apple promises to return to "sustainable profitability". "By then we will have a very competitive product line," Mr Anderson says.

Apple is expected to introduce new PowerBook laptop computers this month. The company is also planning a redesign of its desktop computers and a push into the server market, the most profitable segment of the PC market.

Yet to re-establish Apple as an "industry pioneer and innovator", the goal established by Mr Gil Amelio, chairman and chief executive, who took over at Apple in February, the company must make technology breakthroughs.

One possible advance may come from Exponential Technology, a microprocessor design start-up group partially funded by Apple. This week, Exponential will announce what it claims is the fastest microprocessor for PCs. Running at more than twice the speed of Intel's fastest Pentium chips, the Exponential chip is designed for use in Macintosh PCs.

On another front, Apple is reported to be in talks with Be, a start-up founded by Mr Jean-Louis Gassee, Apple's former chief technology officer, which has developed a new computer operating system that might enable Apple to leapfrog Microsoft's Windows.

In the meantime, Apple's challenge is to reverse its declining market share. This will largely depend upon its ability to persuade business customers that it remains a viable, long-term competitor in the PC market. Last week's earnings report is the first step in the right direction.

Latinvest to be expansion vehicle for BBV

By Stephen Fidler, Latin America Editor

Banco Bilbao de Vizcaya, Spain's second-largest bank, is to inject $50m of capital into Latinvest, the Latin American brokerage house, after completing the acquisition this week, and will provide several hundred million dollars in credit lines to allow it to expand its presence in bond markets.

BBV said the bank had received US Federal Reserve approval for the acquisition.

It will fold existing Latin American capital markets business into the company, named BBV Latinvest.

Latinvest is expected to be the vehicle for development of investment banking business from a growing network of banks in Latin America. BBV controls Probursa in Mexico; the branch network of the Cremi and Oriente banks of Banco Continental of Peru; Banco Ganadero in Colombia; and Banco Francés in Argentina.

Mr José Pérez, general manager of BBV Markets, said the bank sought further acquisitions in the region, and was set to be one of five bidders for Banco de Venezuela, soon to be privatised.

Mr Alvaro Vázquez, joint general manager of BBV's treasury and capital markets division, said Latinvest fitted "our strategy to become a regional banking force in Latin America".

Latinvest, which has offices in London, New York, Geneva and Caracas, was 66 per cent owned by Inver-Mexico and 12 per cent by Bozano Simonsen of Brazil, with the balance held by Latinvest managers. Before the acquisition, for which BBV paid a premium to book value, Latinvest had shareholder funds of $20m.

Mr Richard Watkins, Latinvest chief executive, said the approach from BBV had come at a good time. Domestic problems at Inver-Mexico meant it was ready to sell, and Bozano was seeking to expand its own investment banking presence.

The Mexican devaluation crisis had hit Mexican-owned brokers and the Barings collapse had heightened market sensitivity to counterparty risk, making operations harder for smaller brokers.

Latinvest is one of two London-based independent Latin American brokers to have been absorbed in recent weeks. Unibanco, Brazil's third-largest bank, last week agreed to buy Stephen Rose and Partners, a specialist in Brazil and Argentina.

COMPANIES AND FINANCE: THE AMERICAS

AMERICAS NEWS DIGEST

Provisions push Serfin into the red

Loan-loss provisions of 700m pesos ($90.66m) pushed Grupo Financiero Serfin, which owns Mexico's third-largest bank, into a third-quarter loss of 507m pesos yesterday, against a 20m peso profit in the comparable period. "The results are disappointing," said Mr José García Cantera, head of Latin American research at Salomon Brothers in New York. "Although they are not as bad as a year ago, things are going slower than we expected."

Banca Serfin, the group's chief subsidiary, increased its loan-loss reserves to 103 per cent of past-due loans and has a capitalisation index of 12.3 per cent. The net interest margin fell to 2.8 per cent for the third quarter from 3.9 per cent for the previous three months. Net interest income was 781m pesos, while the net loss was 598m pesos.

Past-due loans as a percentage of total loans increased to 8.9 per cent for the end of the third quarter, compared with 8.7 per cent at the end of June.

Grupo Financiero Serfin also announced that it was considering the sale of 49 per cent of its insurance company, which recorded profits of 32m pesos, and 100 per cent of its bonding company, which made a 15m peso profit. *Daniel Dombey, Mexico City*

Panel rules against Molson

Shares in Canada's Molson Companies fell about 4 per cent early yesterday after an arbitration panel ruled against Molson's brewing arm in a licensing dispute with Colorado-based Coors Brewing. The class A shares were down 75 cents to C$20.15 at mid-morning in Toronto. Damages have not yet been negotiated, but Molson said the award was likely to have a material impact on its earnings. Molson has a 40 per cent stake in Molson Breweries.

The arbitration stemmed from a deal in which Miller Brewing of Milwaukee, a competitor of Coors in the US, bought a 20 per cent interest in Molson Breweries in 1993. Coors contended the Miller deal gave it the right to terminate a licensing agreement under which Molson brewed and marketed Coors beers in Canada.

The arbitration panel ruled that Miller's inclusion in Molson Breweries created a new entity, and that Coors' consent was required for the licensing agreement to continue.

Coors brands make up about 8 per cent of Molson Breweries' sales, which totalled C$594m (US$440m) in the three months to June 30. Both Molson and Coors said they planned to discuss a new licensing deal. Meanwhile, Molson will continue to produce and sell Coors brands in Canada. *Bernard Simon, Toronto*

Whirlpool tumbles

Whirlpool, the US home appliance manufacturer, yesterday confirmed that troubles in the European market had hit third-quarter profits. Net earnings were $21m, with earnings per share of 28 cents, down from $64m, or 85 cents, in the third quarter of 1995. This included a charge of $30m, or 25 cents after tax, to cover the restructuring of the company's Asian headquarters and its North American refrigeration operations. Excluding the charge, earnings would have been 53 cents a share, 37 per cent lower than the year before.

The European division increased turnover compared with the second quarter, but suffered a small operating loss. This represented a "marked improvement" on the second quarter. Whirlpool added that prospects in the European market for the near term were "uncertain". *John Authers, New York*

Gruma plans $120m offering

Grupo Maseca (Gruma), the Mexican maize products company that makes flour for the staple food tortillas, plans to raise $120m with a global share offering. A primary offering of about $30m will be used to finance new investments.

The bulk of the money – about $90m – will go to Gruma's majority shareholder, Mr Roberto González Barrera, whose family will retain control of more than 59 per cent of the company's shares.

About 75 per cent of the shares will be listed on international markets as American Depositary Shares. The price should be fixed next week.

Last week, Gruma announced sales of 2.96bn pesos ($383m) for the third quarter, a 36.7 per cent increase on the same period a year before. Operating profit increased 27 per cent to 266m pesos. Gruma Industrial Maseca, Gruma's chief Mexican subsidiary which is also listed, recorded a 59 per cent jump in third quarter sales to 1.64bn pesos. Operating profit rose 30 per cent to 243m pesos. *Daniel Dombey*

Canadian fertiliser merger

Two Western Canada producers of nitrogen and phosphate fertilisers, Agrium and Viridian, are merging in a friendly share-exchange deal worth C$1.2bn. The merged company, continuing the Agrium name, will be one of the world's biggest and lowest-cost producers of these fertilisers, using natural gas as a feedstock.

Viridian shareholders will get 0.975 of an Agrium share for each Viridian share held. The new company will be based in Calgary and Agrium chief executive, Mr John Van Brunt, will hold that position in the new company. Viridian chairman and chief executive, Mr Ian Delaney, will step down. The merger is seen as part of a broad consolidation of the North American fertiliser industry. *Robert Gibbens, Montreal*

Mobil mars upbeat results at US oil groups

By Christopher Parkes in Los Angeles

Upbeat quarterly reports from leading US oil groups yesterday were marred by disappointing results from Mobil, and a warning from the group's chairman that operational changes were necessary if it wanted to remain competitive.

Chevron, Texaco, Amoco and Exxon all exceeded analysts' forecasts, with Chevron more than doubling its net income. Even after stripping out special items, group profits rose 29 per cent from $504m to $650m.

"Overall we are having an excellent year," said Mr Ken Derr, chairman. Industry conditions had improved and the group's efforts to improve profitability were paying off, he claimed.

By contrast, the tone was decidedly downbeat at Mobil, where Mr Lucio Noto, chairman, complained of "unfavourable market conditions in many of the businesses where we have a substantial presence".

Net income per share slipped from $1.95 to $1.92, although a company statement stressed a 10 per cent decline in operating income from $744m to $668m and highlighted earnings per share at this level down to $1.66 against $1.85.

Higher oil prices more than offset declines in downstream and petrochemicals, Mr Noto said. "We are not counting on continuing high oil prices to enhance shareholder value."

Despite the grim tone, Smith Barney, the New York-based securities firm, yesterday upgraded Mobil stock, saying it was trading at a 10 per cent discount to the sector.

Meanwhile, Texaco appeared to have avoided the third-quarter refining margin squeeze, posting a 50 per cent rise in net income from $290m to $434m, or $1.61 a share against $1.06.

Improved operating results at its refineries, especially on the US West Coast, higher sales of branded petrol and improved refining margins all contributed to results.

However, the main contribution came from higher prices and output for crude oil and natural gas. Following Mobil's European lead, Texaco is also in talks to pool its US refining and marketing business with Shell Oil and Saudi Aramco.

Amoco, helped by a gain of $97m from the sale of its polystyrene foam interests, also outstripped analysts' expectations with earnings per share of $1.28, compared with $1.21 last time and predictions of $1.14. Excluding the extraordinary gain, per share income was $1.08.

Texas-based Exxon generated net income of $1.6bn, which yielded per-share profits of $1.25, compared with $1.20 last time.

US oil companies - 3rd quarter

Company	Revenues ($bn) 1996	1995	Net eps ($) 1996	1995	1996 eps forecast ($)
Chevron	10.85	9.20	1.00	0.44	[illegible]
Mobil	20.30	18.60	1.66*	1.85	1.69
Exxon	33.30	31.00	1.25	1.20	[illegible]
Texaco	11.00	8.80	1.61	1.06	1.47
Amoco	9.00	7.64	1.28	1.21	[illegible]

Source: Companies * Operating eps

USAir doubles earnings in third quarter

By Tracy Corrigan in New York

Strong traffic, particularly on its international routes, helped lift USAir's third-quarter results, even after the airline set aside $41m under its 1992 profit-sharing plan.

USAir reported net income after preferred stock dividends of $45m for the third quarter of 1996, up from $22m in the same period last year. Primary earnings per share of 69 cents for the quarter were substantially above analysts' estimates and almost twice last year's level. The shares rose 4 per cent to $16⅞ on the news.

International traffic was up 57 per cent in the third quarter, compared with the same period of 1995, following a capacity increase of 47.3 per cent. This reflected new services between Philadelphia and Munich, Rome and Madrid. Overall, the system load factor for the quarter – the utilisation of capacity – was 70 per cent, up 3 points from the year-ago period. Traffic on scheduled services rose 6.3 per cent on a capacity increase of 1.3 per cent.

The company said payments under the 1992 profit-sharing plan would be completed at the end of the year. The amount of profit-sharing payments for 1996 is expected to be $122m. Employees took pay cuts in 1992 and 1993 in exchange for the promise of a share in future profits. About $74m was paid out in March on 1995 profits.

"While the industry generally continues to benefit from positive economic conditions, our employees also have done much to begin an across-the-board improvement in product quality," said Mr Stephen Wolf, chairman and chief executive officer. He said there were still "long-term challenges facing the company". Among these is its relatively high cost base in the face of challenges from low-cost airlines.

The company is in dispute with British Airways, which owns 25 per cent of USAir. USAir has brought an action against BA alleging breach of contract and violations of US antitrust laws over its planned partnership with American Airlines.

In addition to the profit-sharing plan, the latest results included the $10m settlement of a lawsuit brought by travel agents against several airlines over commissions.

USAir also declared a dividend of $40m owed to holders of senior preferred stock.

Stephen Wolf: USAir faces long-term challenges

Japan brokers braced for poor interim results

By William Dawkins in Tokyo

Japan's securities companies will today open the country's interim corporate earnings season, with analysts expecting a decline in profits for the six months to September.

Their announcements mark the start of the six-week season, in which more than 1,400 companies are due to report.

Financial companies, with the exception of stockbrokers, expect to have increased net earnings, but manufacturing companies' earnings growth has on average declined, according to company forecasts.

Manufacturers expect their earnings growth to slow not just in the first half, but in the full year to March.

The big four brokers will today report that earnings from bond trading, which swelled their profits last year, have declined.

Nomura, the industry leader, is expecting a net loss after its decision to make a Y371bn ($3.28bn) gift to bail out its troubled non-banking affiliate, Nomura Finance, to cover bad debts on property lending.

Its three main domestic competitors – Daiwa, Yamaichi and Nikko Securities – also have non-bank affiliates which are believed to be in a similar plight to Nomura Finance.

Interest in their results will centre on indications as to whether they plan to follow Nomura's example and declare the full extent of their troubled affiliates' liabilities.

Several second-tier brokers, also due to report today, recently warned that they expected first-half losses as a result of sluggish turnover in the security markets. They are more dependent on equity sales commissions than larger and more diversified brokers, and have been hit by the decline in daily share turnover on the main section of the Tokyo stock market, which averaged between 250m and 300m shares in the first six months of the fiscal year, compared with the 357m a day average for the whole of 1995.

Banks were quicker than securities companies to write off bad debts – a legacy of the late 1980s property price bubble – and expect increases of 95 per cent on average in first-half net profits.

Manufacturers are less optimistic. They have forecast an average 16 per cent rise in net profits for the first half, a sharp decline from the 58 per cent earnings growth achieved at the same stage last year.

Electronics companies, which are due to report on Friday, expect a decline in profit growth because of a collapse in memory chip prices.

Daewoo takes no-frills path

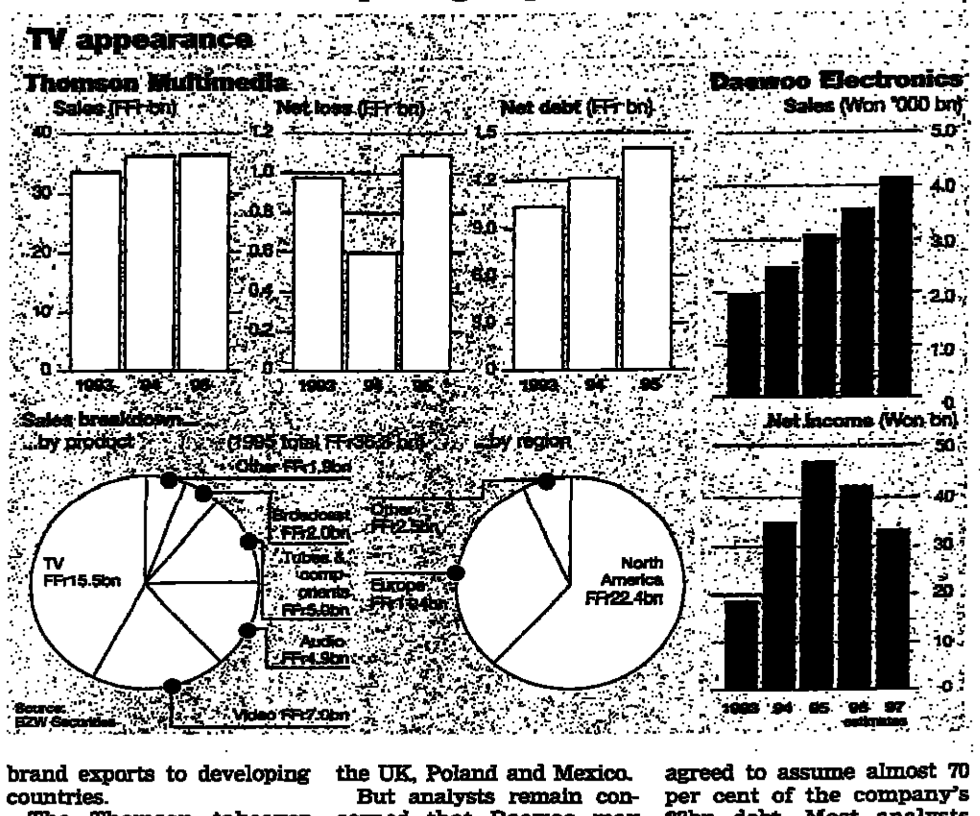
Addition of Thomson Multimedia will help the group focus on core markets

When Mr Bae Soon-hoon, chairman of Daewoo Electronics, meets investors he draws a bell-curve chart to illustrate the company's strategy.

Pointing to the central bulge in the chart, he explains that 80 per cent of the global consumer electronics market consists of simple products with basic functions. "That is Daewoo's core market," he declares.

Instead of moving into high-technology products such as semiconductors, multimedia personal computers and advanced liquid crystal displays, Daewoo is concentrating on conventional consumer electronics, including televisions and video cassette recorders.

The acquisition of France's Thomson Multimedia is a step in this no-frills strategy. The deal will transform Daewoo into the world's biggest producer of TV sets, with 15 per cent of the market.



Mr Bae is unapologetic about Daewoo's emphasis on simple consumer electronics. He says they are easier to make than complex products, which helps to reduce defects and increase profits.

Daewoo's domestic market share has steadily increased to 20 per cent, although it still lags behind its Korean competitors, Samsung and LG Electronics. Since becoming head of Daewoo Electronics in 1991, Mr Bae has also sought to reduce Daewoo's heavy dependence on the Korean market and on sales of original equipment manufacture (OEM) to Japanese companies by promoting higher-margin, own-brand exports to developing countries.

The Thomson takeover represents a breakthrough for Daewoo in the US and the European Union, where Thomson's shares of the TV market are 16.5 per cent and 13 per cent, respectively. Thomson's brands include RCA and General Electric in the US, and Saba, Telefunken and Thomson in Europe.

The acquisition of Thomson will also help Daewoo to establish manufacturing plants in the EU and North America, where production costs are cheaper than South Korea's. Daewoo now produces consumer electronics in France, the UK, Poland and Mexico.

But analysts remain concerned that Daewoo may have bitten off more than it can chew in taking over the heavily indebted and loss-making Thomson.

"Daewoo has had a good track record in turning around troubled companies at home, such as in the shipbuilding and car industries. But this is Daewoo Electronics' first big foreign acquisition and it may find the French trade unions tough to deal with," says Mr Jon Chong-hwa, of Hannuri Salomon Securities in Seoul.

Mr Bae has claimed Daewoo can restore Thomson to profitability by 1998, as the French government has agreed to assume almost 70 per cent of the company's $3bn debt. Most analysts believe this is too optimistic – by several years.

There are also worries about the impact of the Thomson deal on Daewoo's financial strength. "There is a possibility that Daewoo Electronics could become another Thomson Multimedia, a debt-ridden and low-margin company," said Mr Uhm Sang-yoong of BZW Securities in Seoul. He estimates Daewoo Electronics' net debt/equity ratio could climb to 400 per cent from 250 per cent as a result of the Thomson deal.

John Burton

ASIA-PACIFIC NEWS DIGEST

Sampoerna sparks Astra speculation

Hanjaya Mandala Sampoerna, the Indonesian clove cigarette maker which recently acquired a minority stake in Astra International, the country's largest car assembler, has not cancelled a US$400m loan facility. The decision is likely to arouse speculation that Sampoerna is still seeking to increase its stake in Astra.

Sampoerna cancelled an extraordinary shareholders' meeting scheduled for this week, which was thought to have been arranged to discuss the company's acquisition of Astra shares. Analysts took this as a sign that Sampoerna would not add to its 2.85 per cent stake in Astra. However, Mr Jonathan Zax, Sampoerna investor relations manager, said the loan facility, which analysts believe was arranged to buy more Astra shares, had not been drawn down and that the company was "still looking at several possibilities it might require".

Separately, Sampoerna said sales in the third quarter rose 30 per cent on the same period a year earlier, to Rp583.3bn ($251m). *Manuela Saragosa, Jakarta*

Japan retail results mixed

Japan's large retailers continued to post mixed first-half results, reinforcing evidence of a patchy recovery in consumer spending and a shift by consumers away from low-to mid-range supermarkets towards middle to upper-range retail outlets.

Takashimaya, the department store operator, announced a 197.1 per cent rise in unconsolidated recurring profit to Y8.12bn ($72.1m). Net profit climbed 144.7 per cent to Y5.13bn, or Y17.48 a share, on a 47.7 per cent increase in sales to Y511.53bn. Takashimaya attributed the results to extended business hours, promotional campaigns and restructuring of its subsidiaries. For the full year to February, Takashimaya expects pre-tax profits of Y14.10bn, up from last year's Y10.27bn.

Daimaru, the Osaka-based department store operator, also saw first-half earnings surge. The company, which was badly affected by the January 1995 Kobe earthquake, said interim unconsolidated recurring profit rose 147.8 per cent to Y1.59bn. Sales, however, increased only 1.2 per cent to Y248.16bn, in part because of the E. coli food poisoning scare in the summer.

Sogo, another big department store operator affected by the Kobe earthquake, announced its second consecutive half-year loss. An unconsolidated pre-tax loss of Y270m compared with a loss of Y5.79bn a year earlier. *Gwen Robinson, Tokyo*

Insolvency declaration sought

Japan's Housing Loan Administration may seek a declaration of insolvency for one of its main borrowers, in a move that would lead to one of the largest Japanese insolvencies.

The Housing Loan Administration Corporation, the state-run body created to recover loans of seven dissolved housing loan companies, or *jusen*, will consider seeking a court bankruptcy declaration against Sueno Kosan, an Osaka-based property company that is one of the largest borrowers from the *jusen*. It will reach a decision by the end of next month, according to Mr Kohei Nakabo, its president. Sueno Kosan, which was the second-largest borrower of the now-defunct housing loan groups, has Y236.7bn in overdue loans from the housing loan companies and together with loans from non-bank financial institutions, has total liabilities of Y560bn for the parent company and Y670bn on a consolidated basis.

Lex, Page 14 *Michiyo Nakamoto, Tokyo*

Thai finance houses surprise

Most of Thailand's largest finance companies reported third-quarter earnings yesterday showing large increases in accrued interest and reflecting a fall in asset quality, and declines in brokerage commissions and trading gains.

National Finance was the biggest surprise, analysts said. While the company's nine-month profit of Bt977m ($38.33m) was 17 per cent lower than the same period last year, its third-quarter profit of Bt320m was up 13 per cent, largely because of higher net interest margins. National added Bt94m to its provisions for doubtful loans, compared with a removal of Bt13m from provisions last quarter.

Phatra Thanakit reported a 42 per cent year-on-year drop in third-quarter earnings to Bt303m, which analysts attributed to Bt28m of portfolio losses compared with Bt410m in capital gains last year.

The big disappointments were CMIC and General Finance. CMIC's third-quarter net profit rose 45 per cent to Bt48m, but the company provisioned only Bt1m for doubtful loans, compared with Bt50m last quarter. It saw its booking for accrued interest increase to 2.45 per cent of its loan portfolio, from 2.07 per cent last quarter, and is sitting on unrealised portfolio losses of up to Bt600m, according to analysts. Its nine-month profit was 16 per cent lower at Bt230m and earnings per share were down 33 per cent.

General Finance reported third-quarter net profit of Bt128m, down 32 per cent. Nine-month profit of Bt521m was up 3.4 per cent. *Ted Bardacke, Bangkok*

ANI investors back Joseph

A boardroom row at Australian National Industries, the heavy engineering and steelmaking group, yesterday ended with shareholders voting to support Mr Peter Joseph, a banker and consultant to Bankers Trust Australia, and returning him as an ANI director.

Mr Joseph was seeking to have Mr Ross Palmer – a businessman who turned his father's business into a large industrial group before selling it to ANI two years ago – removed from the board. Mr Joseph claimed that Mr Palmer had become obstructive. Yesterday, 66.8 per cent of shareholders supported Mr Palmer's removal. Mr Palmer claimed he was trying to carry out an independent investigation into the company's disastrous investment, five years ago, in Germany's Holter group, an environmental engineering business.

ANI wrote off A$233.6m (US$186.88m) in respect of the previous year, pushing the company to a A$213m loss. Mr Palmer, in retaliation, unsuccessfully sought Mr Joseph's removal. *Nikki Tait, Sydney*

PHILIPPINES SERIES: CORPORATE PROFILES

AYALA CORPORATION

Considered the oldest business house in the Philippines having been founded in 1834, Ayala is also one of the country's largest conglomerates with interests in real estate and hotel development, industrial parks and shopping malls, banking and finance, insurance, telecommunication, electronics, information technology, food processing and ventures in public utilities such as mass transit systems and waterworks. A 6th generation member of the Zobel de Ayala family, Jaime Augusto Zobel II (37), is now president. He spoke to Abby Tan in Manila recently.

1. Ayala Corporation the parent company and Ayala Land its subsidiary are among the Philippines' largest companies. Can you see them keeping their position by the end of this decade?

Jaime Augusto Zobel de Ayala II: Absolutely! I don't see any reason why both can't maintain their leadership positions.

I feel Ayala's growth is very dependent on the growth of the economy. To a certain extent Ayala Corporation is seen as a proxy of the Philippine economy, in that both depend on how the political and economic environment continue.

If the economy grows between five percent to 10 percent per year, there is no doubt we can achieve a rate above and beyond that.

Ayala Land has a varied portfolio. We had opted to stabilise its growth during very fast growth periods and minimise the downturn in slow periods.

The way we do it is basically through three philosophies: one, we have a very conservative balance sheet even in good times. Although it will not enable us to grow as fast even in good times but it enables us protection in bad times.

Two, we strike a balance between rentals and sales generated. We never quite hit 50:50 balance. But we're cushioned when the downturn occurs as rentals are not as affected as sales. So we've a predicable source of income.

Thirdly. We pinpoint the growth areas. We've recently joined the middle income housing market and will become a very significant player here. We built 2,000 units of middle income houses in 1996 and we hope to reach 10,000 units per year by 1998.

Industrial parks are also very, very good growth areas for us. But the problem is getting (agricultural) land and converting them (into industrial land).

2. How is Ayala Corporation diversified?

JAZA: Ayala Land used to be very dominant component in our portfolio. I've been trying to shift subtly in the last couple of years. You'll notice it at the end of this year. It will be very visible in our balance sheet.

I'm diversifying into the banking and financial sectors. The Bank of the Philippine Islands (BPI) is very profitable. Its recent merger with City Trust Bank also a very profitable institution will result in a significant jump in combined net income and will place it at part if not ahead of Ayala Land.

This will put us in the lead in consumer banking. The entry of foreign banks gives a lot of competition to traditional areas like investment banking and corporate lending. But the one area they will have difficulty competing is consumer banking.

So you see the two pillars in Ayala Corporation: Ayala Land and BPI in very, very concerted moves to tap the middle market that had traditionally been the markets we had not tackled.

3. How has liberalisation of the Philippine economy benefited Ayala? Has it posed new challenges to a dominant company?

JAZA: That is one very, very strong hallmark of the Ramos administration. Liberalisation has created a whole new host of opportunities, encouraged foreign investments to the country (that helped real estate!) and brought in new technology, particularly in foreign exchange transactions.

On the telecommunications side, it has been phenomenal. Liberalisation brought in very large amounts of investment. Each company like ours Globe Telecoms (a joint venture with Singapore Telecoms) spends hundreds of millions in infrastructure.

Everything that opened up brings in foreign investments and creates competition. That has been a tremendous useful primer to the economy.

Let me add one more aspect: privatisation has lessened the load of the government. All these present a great deal of opportunities to Ayala Corporation. We are very happy to compete in open business. It has enabled us to enter new industries like telecoms and participation in infrastructure development.

4. Ayala Corporation has started gingerly to go regional, but your partnerships abroad are still in real estate - like with Kuo Properties in Singapore, Jardines and Gammons of Hong Kong, PT Menara Duta in Indonesia, is Ayala going to focus only on property development?

JAZA: No, not really. The ASEAN and APEC phenomenon will happen. There will be lowering of tariffs and integration with local economies. That is a fundamental percept we've accepted. That being the case we've decided to build a presence in the region.

We realise it is difficult to step into another country and offer your services. The strategy we've decided to follow is to invite regional players into the Philippines to share our projects. And they hopefully will invite us into their areas.

That is the opportunity we're trying to develop. We're keen on maintaining solid relationships. Once relationships develop opportunities come in.

5. President Ramos says he's comfortable with ASEA Free Trade Area (AFTA) 2003 and APEC 2020. Do you share the same confidence?

JAZA: We will face a more competitive environment. But that is positive, not a negative threat. I regard Ayala Corporation as a well managed, professional company that thrives on this kind of environment.

6. Looking at the economic indexes now, do they indicate that the Philippines is on sustained growth?

JAZA: There was reluctance in the past to accept sustainability as part of the equation. I would argue that, yes, macro-economic policies are consistent for a number of years now. For example, the low inflation rate is because the Control Bank and the Department of Finance follow specific pattern in policies. There is stability in the market.

Irrespective of who the leader is in future, I would say the pattern has been set by the economic managers of this country and it will be very hard to reserve.

Sustainability has been linked to the whole question of Ramos' privatisation and liberalisation. In opening whole segments of the economy to the private sectors, they have their own steam.

He has addressed the power shortage, encouraged others to get into infrastructure like rail, mass transits. The infrastructure programme is exceptional and exciting. Thus growth is going to continue long term.

7. Why is President Ramos able to do what pervious presidents failed to do, which is to liberalise the economy?

JAZA: He was fortunate he inherited the basic foundation of political stability from President Aquino. She started the liberal economic policies. She laid the groundwork for then Secretary Ramos to be the first democratically elected president. Her economic managers were similar in thinking of President Ramos'. He has followed through more aggressively. He picked up the ball and ran.

8. There is some concern among businessmen of a post-Ramos, in 1998, that is a fear his policies might be reversed.

JAZA: I don't share that concern. I take comfort in two things: one that he will not make any moves to change the constitution (to extend his six-year limit), and two, that he will endorse someone close to his thinking. And given his popularity and success I don't see why his candidates should not win. So de facto I remain optimistic. There's a certain logic to all that.

AYALA CORPORATION

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Web site- http://www.ayala.com.ph

Discovery rejects Premier Oil's A$92m bid

By Nikki Tait in Sydney and Jane Martinson in London

Directors of Discovery Petroleum, the Australian oil and gas group, yesterday rejected a A$91.9m (£71.8m) bid from Premier Oil of the UK, saying that it was "neither fair nor reasonable".

The rejection followed the purchase of a 10.1 per cent stake in Discovery by Oil Search, another Australian oil independent, at 75 cents a share, 5 cents higher than Premier's September offer.

Discovery's advice to shareholders also came in the wake of a report by accountants Grant Samuel which puts a value on Discovery's shares of 77-95 cents above Premier's 70 cents a share cash offer.

Mr Charles Jamieson, Premier's chief executive, said the group was "keeping its options open" until November 11, the offer deadline for shareholders.

The original offer price would have increased Premier's gearing to 50 per cent.

Mr Jamieson said the company would be comfortable with a higher rate. A 10 cents a share increase would add £6m to the total, he said, but stressed that no decision had yet been made.

Discovery shares closed up 1 cent at 79 cents yesterday.

Mr Peter Botten, Oil Search's managing director, has acknowledged that a full, rival takeover offer for Discovery would be "one of a number of options that we have in order to maximise our investment".

Mr Peter Jones, Discovery's chairman, said that both Premier and Oil Search had asked for meetings, which were likely to take place during the coming week.

Analysts indicated yesterday that Premier had limited scope for manoeuvre. At the time of the bid some expressed doubt about the price. "The market would rather the company walk away than pay more than 10 cents extra", said one.

The Premier bid depends on acceptance from 50.1 per cent of Discovery's shareholders.

The company's directors argued in yesterday's advice that Premier's offer had been pitched only 23 per cent above its share price in the month prior to the bid.

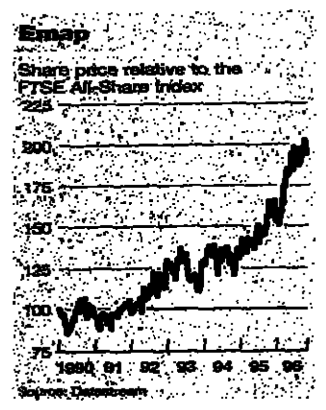
That represented an inadequate premium for control, they said, given that the average paid in the sector this year had been about 46 per cent.

Oil Search maintains that the purchase of its Discovery stake was not driven by Premier's overtures. The company, mainly based in Papua New Guinea, said it had been looking to diversify, and was already scrutinising Discovery when Premier made its move.

The Premier bid came soon after its acquisition of an Indonesian oil and gas company. Discovery also has an interest in the Kakap production-sharing contract in offshore Indonesia, which is adjacent to one of the fields acquired by Premier.

LEX COMMENT

Emap



It is odd that Emap's current board ructions did not come earlier. After all, the contentious changes to the company's articles – removing any minimum limit on the number of non-executives and allowing 75 per cent of the board to fire directors without reference to shareholders – were waved through at an annual meeting in July. That, of course, is a decision shareholders could come to regret. They have nothing to gain from making it easier to ease non-executives out. And although big institutions may believe they have satisfactory private assurances about how the new powers will be used, as time goes by such promises will be worth considerably less than what the articles say. At the very least, shareholders should have insisted on a minimum of three non-executives, as recommended in the Cadbury report.

But that is water under the bridge. In the meantime, the row has got badly out of hand. Doubtless it would be better if the company had never pursued the changes in the first place, but it is still a bit late for board members to argue against them: rightly or wrongly, shareholders have voted in their favour. The priority now must be to restore peace. Perhaps, as one of the non-executives suggests, a clear statement of how the new powers will be used would help. The company will also have to reassure shareholders that the heat of the corporate governance débâcle does not reflect deeper management problems.

Hanson seeks to lure investors

Ross Tieman assesses reasons for the fall in the share price after demerger

Since Hanson demerged its tobacco and chemicals businesses three weeks ago, the shares have been a one-way bet. Imperial Tobacco Group has risen strongly on bid hopes; Millennium Chemical has marked time in New York; but Hanson has lost more than 10 per cent to 84½p.

Even at these levels, the Hanson rump is still a massive business, with a market value of £4.48bn ($6.98bn). But there is one more stage to complete in the conglomerate's four-way split. The Energy Group, made up of Eastern Electricity in the UK and Peabody Coal in the US, will be split off in January.

Analysts' valuations for Hanson in its present form range between 90p-110p, with New Hanson accounting for half that value. Yet several factors appear to have depressed the share price.

Concern over the outlook for coal demand, liabilities for miners' illnesses, and tightening regulation of UK electricity companies have made fund managers wary of the energy arm.

The flow of news has dried because Hanson has entered a closed period ahead of the announcement of results for the year that ended on September 30. And after so much change, many investors have yet to get to grips with the virtues and demerits of New Hanson, the ongoing business which will boast Mr Robert Hanson, son of the founder, as its development director.

New Hanson is essentially a building products business. But it is also spiritual heir to the celebrated acquisitive conglomerate built up by Lord Hanson and Lord White. In consequence it will have enviable production efficiency, a low tax charge, and acquisitive ambitions.

To fulfil those ambitions in an era when focus and globalisation are the new buzzwords, and financial engineering is derided, New Hanson will be obliged to develop a strategy investors can buy into. It must also cast off the private company habits that Hanson, despite its size, had acquired.

To be fair, Hanson has taken several paces down this road. Some years have elapsed since shareholders discovered they were funding Lord White's racehorses, and corporate governance practices are now more in line with Footsie norms.

Yet more must be done if New Hanson is to convince investors it has changed its spots. Analysts point to two anachronisms: Melody Radio, the easy-listening station in which Lord Hanson reportedly takes a personal interest, and Air Hanson, hiring and trading in corporate aircraft.

But the core of New Hanson is a portfolio of businesses of undoubted strength. According to forecasts by NatWest Securities, New Hanson would have generated pre-tax profits of some £212m in the year just ended on sales of £2.29bn, had it existed as a separate accounting unit.

One activity, aggregates and related road repairs contracting, accounts for two-thirds of the sales of New Hanson and 62 per cent of profits. The biggest aggregates business is Cornerstone, with sales this year of about £950m. Like all such US businesses it is strongly regional, with concentrations on the east coast, west coast and the south-west. With 300 operations in 23 states, it ranks as the third-largest US producer of aggregates, second largest of asphalt, and fourth largest in highway construction.

In the UK, ARC, with sales this year of about £540m, is the UK's second largest supplier of aggregates.

The next-largest business, by sales, is Grove, the leading mobile hydraulic crane maker in both the UK and the US. Reinforced by the acquisition of Krupp Mobilkrane of Germany last year, it has sales of about £470m.

New Hanson will be the UK's leading brick-maker, with 30 per cent of the market.

It also has a big presence in building electrics in the UK, manufacturing such items as circuit-breakers, wiring accessories, plugs and sockets.

It owns UGI, a manufacturer of household meters, and has a 39 per cent share of Australian mining; minerals and exploration group RGS. Analysts believe these could be for sale.

Once Lord Hanson, 74, has bowed out next September, Mr Andrew Dougal, finance director who becomes chief executive, and Mr Robert Hanson will have a free hand to chart the way ahead. According to Hanson documents, it will concentrate on building materials and equipment, grow by capital investment and acquisition, and expand into continental Europe and Asia. Developing businesses, rather than trading assets, is the aim. That would be very different from the Hanson of old. Investors may applaud the objectives, but they have yet to buy the strategy, or the shares.

Hanson: the search for a strategy

Company and senior executives	Business	Profit before tax 1996 forecast
[illegible]	[illegible]	£85m
Hanson Brick (UK) Richard Manning	London, Butterley, Kempston and Desimpel brick companies	£42m
[illegible]	[illegible]	£11m
Hanson Properties (UK) Malcolm Abbett	Company properties and Hampton (new town near Peterborough)	£0m
[illegible]	[illegible]	£85m
Grove Worldwide (US) Robert Siff	Mobile cranes including Grove Crane, Grove Manlift and National Crane	£43m
[illegible]	[illegible]	£6m

Source: Hanson, Hoare Govett

Lord Hanson chairman

Andrew Dougal chief executive

Fund calls for Greycoat to be broken up

By Simon London, Property Correspondent

Greycoat, the property company, yesterday rejected calls from one of its largest shareholders for the company to break itself up and return the proceeds to investors.

Mr Peter Thornton, managing director, described the call by UK Active Value, an offshore fund which holds a 10 per cent stake, as "an unwelcome and costly distraction."

UK Active Value, which invests in small and medium-sized companies, has asked Greycoat to call an extraordinary meeting to put the issue to the vote.

Mr Thornton said the company had a maximum of seven weeks to set a date for the meeting.

Mr Brian Myerson, the fund's manager, said Greycoat could realise good prices for its main property assets by selling into a strong market over the next 12 to 18 months.

This cash could be returned to shareholders through a share buy-back without triggering capital gains or advance corporation tax liabilities, he added.

UK Active Value was instrumental in saving Greycoat from receivership in 1993 by proposing a complex financial restructuring.

Mr Myerson was a non-executive director until March, when he resigned in a disagreement over strategy.

In May, the fund unsuccessfully tried to block the £79m ($133m) sale of 151 Buckingham Palace Road, one of Greycoat's largest assets.

The majority of Greycoat's investment portfolio is now accounted for by two other central London offices – Embankment Place, an office building over Charing Cross station, and 123 Buckingham Palace Road.

Peter Thornton: call is an 'unwelcome distraction'

BSkyB dismisses interest in Pearson

By Christopher Price

Mr Sam Chisholm, chief executive of British Sky Broadcasting, yesterday dismissed as "rubbish" market speculation and newspaper reports that the satellite broadcaster was interested in buying Pearson, the media conglomerate.

Rumours of a potential predator sent Pearson shares sharply higher yesterday. They later fell back, but still closed up 33½p at 730p, giving the group a market value of £4.16bn ($6.9bn).

Mr Chisholm said there was no discussion of a bid for Pearson "internally or externally with other parties".

He added that "there is absolutely nothing going on. I don't know where this story has come from."

Mr Frank Barlow, managing director of Pearson, also denied any involvement in talks with potential bidders or partners.

He said that weekend press reports on the future of Pearson's various media and entertainment interests – including ownership of the Financial Times – were "pure speculation."

The reports followed the announcement last week of senior management changes at Pearson.

These included the appointment of Mrs Marjorie Scardino as chief executive.

Sleepy Kids denies Budgie crash landing

By Justin Marozzi

Shares in Sleepy Kids, the animation company which licenses *Budgie: The Little Helicopter*, slipped 6¼p to 20p yesterday after critical press reports surrounding Budgie's fortunes in the US.

Yesterday, the group denied the Fox children's television network had dropped the series and said it had only "changed the format of its scheduling". Budgie and its merchandising spin-offs contribute half of group pre-tax profits of £973,000 last year.

The group warned yesterday that the delay in the merchandising programme would hit profits. It blamed Launey Hachmann & Harris, its US agent which has filed for Chapter 11 of the US bankruptcy code.

Mr Martin Powell, chairman, said the impact on profits was unknown but sufficient to warn the market. He said the US bankruptcy legislation ringfenced the agent's assets and prohibited the group from removing it immediately and replacing it with another.

Shire drug enters final clinical trials in US

By Daniel Green

The final stage of clinical trials of a drug being developed by start-up drugs company Shire Pharmaceuticals has begun in the US.

The drug, Reminyl, is designed to treat Alzheimer's disease, a condition that is largely untreated today.

A Phase III trial is being undertaken by Belgium's Janssen Pharmaceutica, part of Johnson & Johnson of the US, and Shire's co-development and licensing partner for the project.

A similar trial, being run by Shire, is already under way in Europe. Its results are due in mid-1997.

If the trials go well Shire expects to file for approval with regulators within three years. It will co-promote the drug in the UK with Janssen. For the rest of the world it would take royalties.

The cause of Alzheimer's disease is unknown, although it is associated with loss of a chemical in the brain called acetylcholine. Many treatments try to raise acetylcholine levels by inhibiting an enzyme called acetylcholinesterase.

RESULTS

	Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Aberdeen Steak § ... 6 mths to June 30	7.02	(7.37)	0.745L	(0.192)	4.6L	(0.6)	-	-	-	-	nil
Chemical Design Φ ... 6 mths to June 30	0.863	(0.513)	0.052	(0.152L)	0.69	(-)	-	-	-	-	-
Langdons Foods ... 6 mths to June 30	2.07	(1.47)	0.076	(0.037)	0.06	(-)	0.04	Nov 15	-	-	-
Olives Property ... 6 mths to June 30	1.54□	(1.28□)	0.469	(0.339)	0.74	(0.49)	nil	-	nil	-	0.4
Selector Φ$ ... 6 mths to June 30☆	0.953	(2.09)	0.06	(0.186)	0.48†	(1.89)	-	-	-	-	-
Springwood ... 6 mths to June 30	7.05	(8.04)	0.211	(0.221)	19.3	(27.8)	-	-	-	-	-
Upton & Southern ... Yr to July 27	8.95	(30.4)	0.307	(9.59L♠)	0.14†	(8.03L)	nil	-	nil	nil	nil
Waverley Mining ... Yr to June 30	2.24	(-)	4.45L♠	(0.252)	10.6L†	(0.8)	nil	-	nil	nil	nil

Investment Trusts	NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Gartmore Smaller ... Yr to Aug 31 ★	340.3	(270.4)	0.787	(0.856)	5.38	(5.85)	4.25	Dec 30	4.25	5.75	5.75
GT Income Growth ... 6 mths to Sept 30	108.1	(-)	0.988	(-)	1.84	(-)	1.6	Nov 12	-	-	-
Intl Biotechnology ... Yr to Aug 31	112.02	(127.37)	0.443L	(0.392)	1.57L	(0.87)	nil	-	1	nil	1
K'wort Endowment ... 6 mths to Sept 30	146.9	(127.8)	0.362L	(0.264L)	1.21L	(0.88L)	-	-	-	-	-

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. §USM stock. ΦAim stock. ♠After exceptional charge. □Total income. $US currency. ☆Comparatives for year to Dec 31 1995. †On increased capital. ★ Comparatives restated.

INTERNATIONAL CAPITAL MARKETS

British Columbia debut issue a success

MARKET REPORT

By Samer Iskandar

Last week's deluge of new issues yesterday abated into a sprinkling of small and medium sized deals in a variety of sectors. But bankers predicted the pause would be temporary, with several large deals in the pipeline.

"Demand is still quite strong," said one syndicate official at a large US bank in London. "There is investor appetite, especially for bonds offering a decent yield."

While primary market officials in London agreed the sterling sector was starting to show signs of oversupply, the Canadian Province of British Columbia made its debut issue with £200m of seven-year bonds, offering a spread of 20 basis points over gilts.

Goldman Sachs and JP Morgan, the joint lead managers, both said they were very satisfied with the market's response. An official at a rival bank also described the transaction as a "successful deal". In spite of last week's heavy supply, "there is still demand for the right product – a good name at a decent spread," an official at Goldman said.

JP Morgan said placement was helped by the "rarity value" of the issuer, the most highly-rated Canadian province, with ratings of AA+ and Aa2 from S&P and Moody's respectively.

After the syndicate was broken, the bonds were bid at their reoffer spread of 20 basis points throughout the afternoon.

The dollar sector remained active, with most issues concentrated in the 1999-2002 area of the yield curve.

The only exception was a $150m issue of perpetual notes – which qualify as upper tier-2 capital for so-called Cooke ratio purposes – by Banque Nationale de Paris.

With a quarterly floating rate coupon, the paper was mostly placed with money market fund managers and, to a lesser extent, corporate treasurers.

One syndicate manager said the bonds, callable in 2006 - after which the coupon would be substantially raised - would be viewed by investors as a 10-year issue.

"We chose the dollar sector because it is a developed market for this type of issue", said an official at BNP in Paris. CS First Boston, the lead manager, said "the tone is positive. We expect more issuance in dollars in coming days."

Venantius, the Swedish national mortgage bank, made a maiden foray into the dollar sector, with $200m of four-year notes. The lead manager, Yamaichi, said the fact that the issuer was not known in the market limited sales to European institutional investors.

The launch was made easier by the Swedish government's guarantee, which gives the paper a zero risk-weighting by the Bank of England's and the Bundesbank's standards. The bonds' rating is identical to that of Swedish sovereign debt.

Elsewhere, dealers were expecting activity to pick up later this week, with the Republic of Argentina planning to return to the market with DM500m of 30-year bonds – its longest maturity to date. Deutsche Morgan Grenfell yesterday announced it had been chosen to manage the issue.

Greece is also reported to be eyeing the D-Mark sector, possibly for up to DM1bn of 10-year bonds. Educated guesses put the potential pricing at near – or slightly below – 100 basis points over bunds.

Other candidates for dollar bond issuance include St Petersburg. The finance committee of Russia's second largest city yesterday said Salomon Brothers would arrange the launch.

CAPITAL MARKETS NEWS DIGEST

NatWest near to $500m ARS loan

NatWest Markets is close to signing the first tranche of a $500m loan for Almazy Rossii-Sakha, Russia's only licensed exporter of diamonds.

NatWest Markets says the first tranche of the loan will be between $75m and $150m, repayable over two years. The deal is likely to be based around an escrow account outside Russia, with De Beers, the South African diamond company, depositing money into the account for diamonds received from ARS.

NatWest has lined up a syndicate of six banks to arrange the financing. These are Swiss Bank, Credit Suisse, Banco de Santander, Standard Bank, Dresdner Bank and Sumitomo. Each has been asked to underwrite up to $25m.

"The deal will be agreed in the near future, possibly as early as November," said Mr Sebastian Lankisch, trade financier at NatWest Markets.

ARS will use the funds to increase its exploration activities and develop the country's mining operations, most of which are in Yakutia. ARS's diamond output is estimated at 13.5m carats, worth around $1.25bn a year. Stocks are said to be low. *Rupert Wright, London*

Slow start for CBOT contracts

The Chicago Board of Trade's latest futures and options contracts have got off to a slow start – with 974 futures and 405 options contracts traded in the first session. The CBOT's average monthly turnover in Treasury bonds and notes is nearly 10m contracts.

The new product, first traded on Friday, is based on the differences – or spreads – between yields in long-term and short-term on-the-run US Treasury securities. Known as yield curve spread futures, the new products provide yet another way for traders and investors to take a view on inflation and other economic developments that affect yield relationships between different government securities.

The new instruments allow the spreads to be executed in a single trade, significantly reducing transaction costs. The exchange is offering 10 different contracts, with varying yield relationships, including spreads between three-year notes and 30-year bonds, 10-year notes and 30-year bonds, and note spreads between two, three, five and 10-year maturities. *Laurie Morse, Chicago*

Two new indices from ASX

The Australian Stock Exchange is launching two new indices, to cover the telecoms and infrastructure/utilities sectors.

The infrastructure index will initially be based on six listed companies with a combined market capitalisation of A$3.2bn; the telecoms index will have a similar number of constituents, with a market value of around A$737m.

The telecoms index, however, meanwhile, could grow substantially if plans for the country's two main carriers – the government-owned Telstra group and privately-held Optus Communications - to float on the stockmarket come to fruition. *Nikki Tait, Sydney*

Japanese futures at record on poll result

INTERNATIONAL BONDS

By Richard Adams in London and Lisa Bransten in New York

Japanese bond futures contracts for December hit an all-time high in Tokyo yesterday, with buying continuing on the London International Financial Futures Exchange.

The rise in the future came on the back of the solid performance by he governing Liberal Democratic party in the Japanese general election on Sunday.

The LDP's near-majority was achieved at the expense of opposition parties that proposed a looser fiscal policy to boost the Japanese economy.

But analysts warned that the yen's weakness against the dollar meant that the bond rally may be short lived.

■ The JGB December futures contract rose sharply to a record high of 123.70 in Tokyo, before settling at 123.58.

But later, trading at Liffe yesterday afternoon saw the December contract continue to rise past the Tokyo close, to 123.65. That was a rise of 0.66 from the notional December contract of 122.99 at Liffe on Friday.

In the cash market, the yield on the benchmark bond number 182 fell 8 basis points, to 2.73 per cent, from 2.81 per cent on Friday.

Mr Brendan Brown, head of research at Tokyo-Mitsubishi International in London, said that what happened next to JGBs would depend on how far the yen continued to decline against the dollar, and by how strongly the Japanese economy recovered in the fourth quarter.

"The general perception is that further yen depreciation will stimulate the Japanese economy, and that will hurt JGBs," he said.

Mr Kirit Shah, chief market strategist at Sanwa International, said much of the movement yesterday was caused by buying from domestic investors, who were shifting away from equities, as the Nikkei 225 index fell 309.35 points, or 1.43 per cent.

"It is domestic liquidity that is calling the shots," Mr Shah said.

■ Italian bond futures rose sharply in after-hours trading, as early indications of the Italian cities' consumer price index showed inflation possibly falling.

The December BTP future on Liffe settled at 123.19, up from 122.74 on Friday. But the real spurt came later, as contracts rallied to 123.60 in after-hours trading.

Mr Ifty Islam, European bond strategist at Merrill Lynch, said the market for Italian debt had proved to be more resistant to last week's wobbles than Spain.

Other European contracts were roughly unchanged, or slightly lower, in anticipation of forthcoming supply in France, Germany and the UK.

■ US Treasury prices were flat to modestly higher in thin volumes early yesterday, as traders awaited new supply that is set to come on to the market today and tomorrow.

Near midday, the benchmark 30-year Treasury was $\frac{3}{16}$ stronger at 99¼ to yield 6.783 per cent, while the two-year note was unchanged at 100$\frac{1}{16}$, yielding 5.859 per cent. The December 30-year bond future climbed $\frac{1}{32}$ to 111$\frac{5}{16}$.

There was little news to stir the market yesterday, so the focus turned to auctions that the Treasury will hold later this week week.

Today it is to sell $18.25bn in two-year paper and tomorrow it will auction $12.5bn in five-year notes.

Also important this week will be Friday's figures on September durable goods orders and existing home sales.

Bonds had no support from the dollar, which slipped against the yen and the D-Mark.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
■ US DOLLARS							
Südwestdeutsche LB★	300	5.56#	99.13	Nov 1999	0.20	-	Yamaichi Intl(Europe)
Sigma Finance Corp	250	6.50	99.925R	Nov 2001	0.25R	+18(WI 5yr)	SBC Warburg
KfW International Finance	200	6.375	99.57R	Nov 2002	0.275R	+12(WI 5yr)	CIBC/DKB/Merrill Lynch
Venantius	200	6.25	99.7325R	Nov 2000	0.225R	+11(i)	Yamaichi Intl(Europe)
BNP(a)‡	150	(a1)	99.59R	undated	0.625R	-	CS First Boston
LB Schleswig-Holstein	75	(b)	100.485R	Dec 2000	0.225R	+2½(i)	Kredietbank Intl Group
■ STERLING							
Prov of British Columbia(s)	200	7.50	99.575R	Dec 2003	0.30R	+20(8%Jun03)	Goldman/JP Morgan.
GECC(l)	100	6.75	99.59R	Dec 1999	0.1875R	+15(6%-99)	ABN Amro/Nikko Europe
■ ITALIAN LIRE							
World Bank(c)	500bn	zero	23.16	Nov 2016	2.00	-	Credito Italiano
■ DANISH KRONER							
Rabobank Australia(l)	500	6.00	101.825	Dec 2002	1.875	-	Generale Bank
■ NEW ZEALAND DOLLARS							
KfW International Finance	100	7.50	101.46	Nov 2001	2.00	-	DMG/Toronto Dominion
DB Australia	100	7.75	101.12	Nov 1998	1.25	-	DMG/Toronto Dominion
■ CYPRIOT POUNDS							
Bank of Cyprus(d)§	40	(6½-7)	100.00	Oct 2003	2.50	-	Salomon Brothers Intl

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. §Convertible. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Callable from Nov 06 at par. a1) 3-mth Libor +62½bp to Nov 06, then +2½%. b) 5% to 4/12/98, then 8%. c) L1000bn launched 2/10/96 was increased to L1500bn. d) Conversion price fixed next week; indicated premium 10-15%. Callable from Oct 99 subject to 130% hurdle. i) Over interpolated yield. l) Long 1st coupon. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	94.4720	+0.200	7.54	7.55	8.13
Austria		6.250	05/06	101.3600	-0.060	5.95	5.98	6.26
Belgium		7.000	05/06	106.3900	-0.030	6.09	6.11	6.55
Canada *		7.000	12/06	103.7500	+0.200	6.49	6.71	7.46
Denmark		8.000	03/06	107.9000	-0.060	6.83	6.87	7.27
France	BTAN	5.500	10/01	102.4268	+0.090	4.96	5.00	5.45
	OAT	6.500	10/06	103.9600	-0.140	5.97	6.00	6.32
Germany Bund		6.250	04/06	101.8100	-0.040	5.99	6.04	6.31
Ireland		8.000	08/06	107.5500	+0.170	6.91	6.89	7.50
Italy		9.500	02/06	108.6200	+0.340	8.16†	8.20	9.08
Japan	No 140	6.600	06/01	121.7707	+0.420	1.62	1.66	1.86
	No 182	3.000	09/05	101.8322	+0.440	2.75	2.80	2.91
Netherlands		8.500	06/06	118.6200	+0.040	5.91	5.95	6.23
Portugal		9.500	02/06	112.3500	+0.430	7.60	7.65	8.46
Spain		8.800	04/06	106.4800	-0.090	7.79	7.75	8.60
Sweden		6.000	02/05	92.3316	-0.060	7.25	7.16	8.16
UK Gilts		8.000	12/00	103-20	-2/32	6.97	6.77	7.07
		7.500	12/06	99-10	-3/32	7.60	7.47	7.88
		9.000	10/08	109-30	-3/32	7.71	7.59	8.01
US Treasury *		6.500	10/06	100-01	-2/32	6.49	6.56	6.96
		6.750	08/26	93-18	-3/32	6.78	6.85	7.14
ECU (French Govt)		7.000	04/06	104.5200	-0.210	6.34	6.35	6.71

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices. US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	5.89
Prime rate	8¼	Two month	-	Three year	6.04
Broker loan rate	7	Three month	5.12	Five year	6.26
Fed funds	5$\frac{5}{16}$	Six month	5.31	10-year	6.51
Fed.funds at intervention	-	One year	5.53	30-year	6.80

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	126.50	126.32	-0.16	126.56	126.24	57,214	183,204
Mar	126.52	126.32	-0.18	126.52	126.32	1,353	37,241
Jun	125.36	125.16	-0.18	125.36	125.16	2	–

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Nov	Dec	Mar	PUTS Nov	Dec	Mar
123	-	-	-	-	-	0.43
124	-	-	-	-	0.14	-
125	1.35	-	-	0.05	0.33	0.92
126	0.55	0.98	1.60	0.22	0.63	1.29
127	0.10	0.46	1.14	0.80	-	-

Est. vol. total, Calls 16,736 Puts 10,665. Previous day's open int., Calls 201,852 Puts 194,912.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	99.60	99.56	-0.01	99.67	99.51	80543	261968
Mar	98.59	98.53	+0.01	98.60	98.53	2013	11364

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Nov	Dec	Jan	Mar	PUTS Nov	Dec	Jan	Mar
9950	0.18	0.60	0.36	0.89	0.12	0.54	1.33	1.66
10000	0.04	0.36	0.23	0.52	0.48	0.80	1.70	1.99
10050	0.01	0.20	0.14	0.38	0.95	1.14	2.11	2.35

Est. vol. total, Calls 9571 Puts 12322. Previous day's open int., Calls 223865 Puts 229436

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	122.80	123.19	+0.45	123.60	122.70	39758	80808
Mar	-	122.44	+0.45	-	-	0	2414

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Dec	Mar	PUTS Dec	Mar
12300	1.32	1.92	1.13	2.48
12350	1.04	1.68	1.35	2.74
12400	0.81	1.46	1.62	3.02

Est. vol. total, Calls 3884 Puts 4300. Previous day's open int., Calls 165898 Puts 165709

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	107.14	107.03	-0.03	107.48	106.70	88,460	71,765

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	109-15	109-12	-0-02	109-20	109-09	37138	160633
Mar	108-22	108-16	-0-02	108-22	108-22	137	2142

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Nov	Dec	Jan	Mar	PUTS Nov	Dec	Jan	Mar
109	0-38	1-13	1-04	1-41	0-14	0-53	1-36	2-09
110	0-10	0-46	0-43	1-13	0-50	1-22	2-11	2-45
111	0-03	0-24	0-25	0-55	1-43	2-00	2-57	3-23

Est. vol. total, Calls 6372 Puts 3184. Previous day's open int., Calls 43752 Puts 38584

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	94.26	94.08	-0.16	94.26	94.02	1,516	7,866
Mar	–	93.44	–	–	–	–	–

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	110-06	111-10	+0-01	111-13	111-05	264,251	371,822
Mar	110-26	110-25	-0-01	110-27	110-24	691	24,971
Jun	-	110-11	-	-	-	193	5,237

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	123.64	-	-	123.65	123.54	2371	n/c
Mar	122.61	-	-	122.63	122.57	755	n/c

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Mon Oct 21	Day's change %	Fri Oct 18	Accrued interest	xd adj. ytd		Low coupon yield Oct 21	Oct 18	Yr. ago	Medium coupon yield Oct 21	Oct 18	Yr. ago	High coupon yield Oct 21	Oct 18	Yr. ago
1 Up to 5 years (22)	121.67	0.00	121.67	2.47	7.98	5 yrs	7.06	7.05	7.72	7.12	7.11	7.72	7.18	7.18	7.81
2 5-15 years (19)	150.11	-0.04	150.16	3.10	8.49	15 yrs	7.83	7.80	8.32	7.84	7.83	8.36	7.88	7.86	8.44
3 Over 15 years (8)	165.40	-0.14	165.63	3.39	9.83	20 yrs	7.94	7.90	8.37	7.94	7.93	8.40	7.97	7.94	8.46
4 Irredeemables (6)	190.59	-0.46	191.48	4.27	8.83	Irred.†	8.02	7.98	8.43						
5 All stocks (55)	144.10	-0.05	144.16	2.96	8.63										

Index-linked							Inflation 5% Oct 21	Oct 18	Yr. ago	Inflation 10% Oct 21	Oct 18	Yr. ago
6 Up to 5 years (2)	202.42	-0.01	202.45	0.31	5.28	Up to 5 yrs	3.12	3.11	3.30	2.44	2.42	2.14
7 Over 5 years (10)	193.83	0.06	193.71	1.27	4.17	Over 5 yrs	3.57	3.58	3.74	3.36	3.37	3.54
8 All stocks (12)	193.69	0.05	193.59	1.16	4.21							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Oct 21	Oct 18	Oct 17	Oct 16	Oct 15	Yr ago	High*	Low*
Govt. Secs. (UK)	93.90	94.00	94.01	94.29	94.79	92.67	96.34	91.59
Fixed interest	115.45	115.40	115.97	116.15	116.24	110.88	116.45	110.74

Gilt Edged Activity Indices

	Oct 18	Oct 17	Oct 16	Oct 15	Oct 14
Gilt Edged bargains	150.5	157.8	106.0	92.9	87.5
5-day average	118.9	110.4	99.8	97.2	101.6

 * for 1996. Government Securities high since compilation: 127.4 (09/01/35); low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on October 21

U.S. DOLLAR STRAIGHTS / SWISS FRANC STRAIGHTS / YEN STRAIGHTS / OTHER STRAIGHTS / DEUTSCHE MARK STRAIGHTS / FLOATING RATE NOTES / CONVERTIBLE BONDS

[illegible]

UK GILTS PRICES

Shorts (Lives up to Five Years) / Five to Fifteen Years / Over Fifteen Years / Undated / Index-Linked / Other Fixed Interest

[illegible]

CURRENCIES AND MONEY

Dollar higher in wake of Japanese election

MARKETS REPORT

By Robert Chote

The dollar closed higher against the Japanese yen yesterday as the Bank of Japan indicated in the wake of the country's general election that it would keep interest rates low for some time.

The gains were registered in Tokyo trading, with the dollar subsequently losing some ground during European working hours. The US currency closed in London at Y112.735, up Y0.16 on Friday's close but down from the 33-month intra-day high of Y112.90 recorded in early European trading.

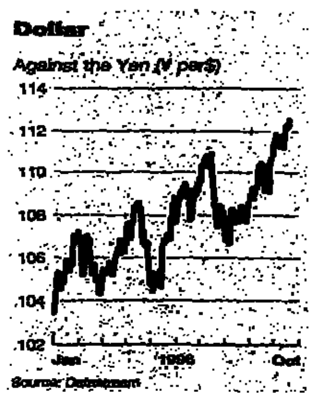
Sterling succumbed to profit taking after its robust performance last week, with several important economic indicators due in next few days. Against a trade-weighted basket of other currencies, the pound fell to 89 per cent of its 1990 value, down from 89.3 per cent at Friday's close. Sterling lost a little over a pfennig against the D-mark to close at DM2.4433. It was little moved against the dollar, ending at $1.59. The dollar meanwhile dropped more than half a pfennig against the D-mark, ending at DM1.5362.

The D-mark moved higher against the Italian lira in an otherwise quiet day for the European cross rates, closing at L998.4 to the D-mark from Friday's L993.5. The Italian currency owed its decline partly to Mr Klaus-Dieter Kuehbacher, a member of the Bundesbank council, who said that Italy should not be among the first wave of participants in a single European currency.

■ The dollar ended the European trading day with its ascent against the Japanese yen having run out of steam – at least for now. Dealers took profits after the US currency reached a near three-year high.

Mr Peter von Maydell, analyst at UBS in London, said that the result of the Japanese election had provided little additional information for the market to digest. He said it pointed to a continued process of slow deregulation and trade liberalisation. It also implied that the increase in consumption tax would go through and that interest rates were therefore likely to remain low.

Mr Yasuo Matsushita, governor of the Bank of Japan, reinforced expectations of continued low rates in comments to a quarterly meeting of domestic branch managers. "In managing monetary policy for the time being, it is appropriate for us to keep the emphasis on making the basis for an economic recovery more solid and to carefully watch developments in economic and financial conditions", he said.



Mr von Maydell predicted that the dollar would regain its momentum, reaching Y114 by the year-end and heading towards Y116 in six months' time.

■ The dollar's strength relative to the yen in recent weeks has been fuelled in part by rising oil prices. This also helps explain the strength of the pound, although the evidence of gathering momentum in the British economy has also allowed it to forge ahead.

Selling from the US was said to have contributed to the pound's slight decline yesterday, with sterling's failure to break through Y180 triggering profit-taking. The currency also suffered when it dropped through the psychological barrier of DM2.45, with analysts identifying DM2.4415 as the next important support level.

Sterling's fortunes now rest heavily on the economic data due for release this week. Ms Alison Cottrell, at PaineWebber, says that "the risks are still on the upside" when it comes to today's survey of manufacturers by the Confederation of British Industry and the third-quarter economic growth figures which are due on Friday.

Further evidence of strong economic activity would probably strengthen sterling by making an increase in interest rates appear more likely, although Mr Kenneth Clarke, the chancellor, might argue that sterling strength obviated the need for higher rates.

■ German M3 money supply figures came in much as expected, showing an annualised 8.4 per cent increase down from 8.7 per cent in August. The French franc closed at FFr3.379 to the D-mark, down a tenth of a centime from Friday's close. A small cut in the French overnight interest rate raised hopes of a lower intervention rate on October 31.

■ Pound in New York

Oct 21	—Latest—	—Prev. close—
£ spot	1.5920	1.5900
1 mth	1.5912	1.5892
3 mth	1.5900	1.5881
1 yr	1.5826	1.5801

■ OTHER CURRENCIES

Oct 21	£	$
Czech Rp	43.1977 - 43.2925	27.1680 - 27.1920
Hungary	247.882 - 248.487	155.570 - 156.170
Iran	4773.00 - 4770.00	3000.00 - 3009.00
Kuwait	0.4765 - 0.4778	0.2999 - 0.3004
Poland	4.4840 - 4.5000	2.8264 - 2.8284
Russia	8644.83 - 8653.45	5437.00 - 5439.00
U.A.E.	5.8386 - 5.8439	3.6725 - 3.6731

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POUND SPOT FORWARD AGAINST THE POUND

Oct 21		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.1886	-0.0831	790 - 982	17.2798	17.1698	17.1451	3.0	17.0889	2.3	-	-	104.5
Belgium	(BFr)	50.3394	-0.2481	917 - 870	50.5880	50.2900	50.2194	2.9	49.9944	2.7	48.9744	2.7	105.8
Denmark	(DKr)	9.3541	-0.0483	495 - 586	9.4000	9.3489	9.3368	2.2	9.3052	2.1	9.1669	2.0	107.2
Finland	(FM)	7.3159	-0.0236	085 - 231	7.3800	7.3070	-	-	-	-	-	-	84.7
France	(FFr)	8.2560	-0.0382	521 - 598	8.2987	8.2476	8.2393	2.4	8.2088	2.3	8.0709	2.2	108.5
Germany	(DM)	2.4433	-0.0117	419 - 446	2.4563	2.4407	2.4378	2.7	2.4265	2.7	2.3765	2.7	107.6
Greece	(Dr)	381.792	-1.858	568 - 015	383.847	381.537	-	-	-	-	-	-	67.9
Ireland	(I£)	0.9929	-0.0011	919 - 938	0.9949	0.9919	0.9927	0.2	0.9924	0.2	0.9896	0.3	98.7
Italy	(L)	2438.79	-4.82	899 - 059	2449.93	2436.50	2443.84	-2.5	2452.39	-2.2	2473.79	-1.4	77.2
Luxembourg	(LFr)	50.3394	-0.2481	917 - 870	50.5880	50.2900	50.2194	2.9	49.9944	2.7	48.9744	2.7	105.8
Netherlands	(Fl)	2.7410	-0.0132	397 - 422	2.7545	2.7383	2.734	3.1	2.7207	3.0	2.6622	2.9	105.8
Norway	(NKr)	10.3615	-0.0371	482 - 577	10.4025	10.3441	10.3415	1.2	10.33	0.8	10.278	0.7	98.6
Portugal	(Es)	248.226	-1.018	098 - 382	248.898	248.068	248.47	-1.2	248.85	-1.0	-	-	95.0
Spain	(Pta)	205.517	-0.836	412 - 621	206.492	205.379	205.717	-1.2	206.052	-1.0	206.767	-0.6	80.0
Sweden	(SKr)	10.5247	-0.0349	137 - 356	10.5741	10.5120	10.5239	0.1	10.522	0.1	10.5134	0.1	90.7
Switzerland	(SFr)	2.0111	-0.0142	099 - 123	2.0240	2.0082	2.0036	4.5	1.9868	4.2	1.9267	4.1	110.2
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	89.0
Ecu	-	1.2713	-0.0059	705 - 720	1.2782	1.2705	1.2695	1.7	1.268	1.7	1.2483	1.8	-
SDR†	-	1.10802	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5903	+0.0001	897 - 908	1.5940	1.5881	-	-	-	-	-	-	-
Brazil	(R$)	1.6301	-0.0003	293 - 308	1.6348	1.6298	-	-	-	-	-	-	-
Canada	(C$)	2.1444	-0.002	433 - 455	2.1517	2.1420	2.1408	2.0	2.1336	2.0	2.1074	1.7	85.6
Mexico	(New Peso)	12.2996	+0.0141	891 - 080	12.3295	12.2703	-	-	-	-	-	-	-
USA	($)	1.5905	-0.0008	900 - 910	1.5950	1.5880	1.5897	0.6	1.5886	0.5	1.5816	0.6	97.7
Pacific/Middle East/Africa													
Australia	(A$)	1.9950	-0.0052	937 - 962	2.0004	1.9922	1.9967	-1.0	1.999	-0.8	2.0049	-0.5	94.5
Hong Kong	(HK$)	12.2978	-0.0043	931 - 024	12.3325	12.2869	12.2937	0.4	12.2908	0.2	12.3018	0.0	-
India	(Rs)	56.9114	+0.1427	754 - 474	57.2500	56.5690	-	-	-	-	-	-	-
Israel	(Shk)	5.1995	-0.0003	901 - 089	5.2379	5.1900	-	-	-	-	-	-	-
Japan	(Y)	179.305	+0.192	186 - 417	180.080	178.910	178.455	5.7	176.845	5.5	170.05	5.2	129.8
Malaysia	(M$)	3.9878	-0.0018	857 - 898	3.9975	3.9835	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2300	-0.0228	285 - 314	2.2538	2.2270	2.2378	-4.2	2.2517	-3.9	2.2902	-2.7	113.0
Philippines	(Peso)	41.7825	-0.0144	057 - 592	41.8998	41.7050	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.9652	-0.0017	631 - 672	5.9819	5.9597	-	-	-	-	-	-	-
Singapore	(S$)	2.2501	-0.0011	486 - 516	2.2560	2.2481	-	-	-	-	-	-	-
South Africa	(R)	7.2583	+0.0126	520 - 645	7.2735	7.2415	-	-	-	-	-	-	-
South Korea	(Won)	1317.57	+1.29	700 - 814	1321.14	1315.41	-	-	-	-	-	-	-
Taiwan	(T$)	43.7388	-0.0151	091 - 684	43.8593	43.6975	-	-	-	-	-	-	-
Thailand	(Bt)	40.5387	-0.0212	180 - 594	40.6810	40.5160	-	-	-	-	-	-	-

† Rates for Oct 18. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Oct 21		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan index
Europe													
Austria	(Sch)	10.8071	-0.0484	044 - 097	10.8590	10.7930	10.7873	2.2	10.7471	2.2	10.5521	2.4	104.4
Belgium	(BFr)	31.6500	-0.145	300 - 700	31.7900	31.6190	31.585	2.5	31.4525	2.5	30.8325	2.6	105.5
Denmark	(DKr)	5.8812	-0.0283	802 - 822	5.9062	5.8775	5.8723	1.8	5.8539	1.9	5.7722	1.9	106.5
Finland	(FM)	4.5997	-0.0133	955 - 028	4.6265	4.5965	4.5908	2.3	4.5722	2.4	4.4897	2.4	84.8
France	(FFr)	5.1908	-0.0222	900 - 916	5.2170	5.1868	5.1821	2.0	5.164	2.1	5.0818	2.1	108.0
Germany	(DM)	1.5362	-0.0068	358 - 365	1.5435	1.5345	1.5332	2.3	1.5266	2.5	1.4964	2.6	106.9
Greece	(Dr)	240.045	-1.065	980 - 110	241.220	239.820	241.5	-7.8	244.17	-6.9	255.195	-6.3	67.4
Ireland	(I£)	1.6020	+0.0013	010 - 030	1.6060	1.5985	1.6018	0.2	1.6014	0.1	1.5982	0.2	-
Italy	(L)	1533.35	-2.57	270 - 400	1537.60	1531.12	1537.15	-3.0	1543.1	-2.5	1558.6	-1.6	78.8
Luxembourg	(LFr)	31.6500	-0.145	300 - 700	31.7900	31.6190	31.585	2.5	31.4525	2.5	30.8325	2.6	105.5
Netherlands	(Fl)	1.7234	-0.0077	231 - 236	1.7314	1.7219	1.7196	2.6	1.7116	2.7	1.6781	2.7	105.4
Norway	(NKr)	6.5083	-0.0211	064 - 102	6.5404	6.5045	6.5046	0.7	6.4989	0.6	6.4733	0.5	97.9
Portugal	(Es)	154.810	-0.585	760 - 860	155.920	154.660	155.015	-1.6	155.31	-1.3	156.085	-0.8	96.1
Spain	(Pta)	129.215	-0.545	190 - 240	129.800	129.150	129.395	-1.7	129.655	-1.4	130.32	-0.9	79.7
Sweden	(SKr)	6.6172	-0.0197	124 - 220	6.6452	6.6093	6.6144	0.5	6.6046	0.8	6.5572	0.9	90.1
Switzerland	(SFr)	1.2645	-0.0084	641 - 648	1.2720	1.2627	1.2601	4.1	1.2517	4.0	1.214	4.0	109.4
UK	(£)	1.5905	-0.0005	900 - 910	1.5950	1.5880	1.5897	0.6	1.5886	0.5	1.5816	0.6	88.9
Ecu	-	1.2511	+0.0053	508 - 515	1.2521	1.2450	1.2525	-1.3	1.2556	-1.4	1.2722	-1.7	-
SDR†	-	0.686398	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	+0.0004	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0249	+0.0002	247 - 251	1.0252	1.0247	-	-	-	-	-	-	-
Canada	(C$)	1.3483	-0.0008	480 - 485	1.3510	1.3471	1.3485	1.6	1.3424	1.8	1.3278	1.5	85.0
Mexico	(New Peso)	7.7325	+0.0115	290 - 360	7.7360	7.7250	7.8505	-18.3	8.117	-19.9	8.9775	-16.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.5
Pacific/Middle East/Africa													
Australia	(A$)	1.2543	-0.0029	539 - 547	1.2547	1.2537	1.2558	-1.4	1.2577	-1.1	1.2632	-0.7	96.5
Hong Kong	(HK$)	7.7320	-0.0001	315 - 325	7.7325	7.7311	7.7319	0.0	7.7325	0.0	7.7435	-0.1	-
India	(Rs)	35.7820	+0.102	820 - 820	35.9820	35.5820	35.997	-7.2	36.457	-7.5	-	-	-
Israel	(Shk)	3.2691	+0.0009	542 - 740	3.2844	3.2639	-	-	-	-	-	-	-
Japan	(Y)	112.735	+0.16	700 - 770	112.910	112.460	112.23	5.4	111.235	5.3	107.02	5.1	130.4
Malaysia	(M$)	2.5072	-0.0003	067 - 077	2.5078	2.5050	2.5101	-1.4	2.5154	-1.3	2.5367	-1.2	-
New Zealand	(NZ$)	1.4020	-0.0139	015 - 025	1.4130	1.4010	1.4075	-4.7	1.4116	-2.8	1.4433	-2.9	-
Philippines	(Peso)	26.2700	-	200 - 100	26.3100	26.2300	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	+0.0002	504 - 506	3.7506	3.7503	3.7508	-0.1	3.7512	-0.1	3.7531	-0.1	-
Singapore	(S$)	1.4147	-0.0002	142 - 152	1.4162	1.4141	1.4125	1.8	1.408	1.9	1.3867	2.0	-
South Africa	(R)	4.5635	+0.0095	610 - 660	4.5700	4.5540	4.6042	-10.7	4.6792	-10.1	4.994	-9.4	-
South Korea	(Won)	828.400	+1.1	300 - 500	828.600	827.300	-	-	-	-	-	-	-
Taiwan	(T$)	27.5000	-	900 - 100	27.5150	27.4830	27.5001	0.0	27.5003	0.0	-	-	-
Thailand	(Bt)	25.4880	-0.0045	830 - 930	25.4970	25.4800	25.578	-4.2	25.7455	-4.0	26.383	-3.5	-

† SDR rate per $ for Oct 18. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Oct 18: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

October 21	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.50	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.35	-	4.75
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.35	-	4.75
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.00
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.00
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	8.25	8.38
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	8.25	8.38
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.00	1.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.00	1.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.10	5.10	5.18	5.37	-	-	-
week ago	-	5.10	5.18	5.27	5.50	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.

Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Oct 21	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate (FFr 5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.45	96.42	+0.01	96.47	96.41	15,254	55,186
Mar	96.44	96.40	-	96.45	96.39	8,946	48,209
Jun	96.40	96.35	-0.01	96.40	96.33	2,877	28,145

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.85	96.85	-	96.86	96.84	15583	224401
Mar	96.84	96.86	+0.02	96.87	96.84	24272	205002
Jun	96.71	96.73	+0.02	96.74	96.70	11725	161715
Sep	96.53	96.54	+0.01	96.56	96.52	9763	148000

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	92.36	92.39	+0.03	92.45	92.33	12650	63127
Mar	92.88	92.93	+0.06	93.00	92.86	6717	46204
Jun	93.19	93.25	+0.06	93.30	93.16	2315	32014
Sep	93.32	93.38	+0.06	93.39	93.32	968	24589

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	98.25	98.24	-0.01	98.28	98.21	2694	33993
Mar	98.26	98.24	-	98.27	98.20	2769	27082
Jun	98.17	98.16	+0.01	98.17	98.11	1572	13746
Sep	97.97	97.95	-	97.97	97.91	684	5022

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	99.43	99.43	+0.02	99.43	99.43	170	n/c
Mar	99.35	99.35	+0.04	99.35	99.33	53	n/c
Jun	99.21	99.21	+0.05	99.21	99.20	295	n/c

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.86	95.87	-	95.88	95.87	400	7906
Mar	95.88	95.87	-	95.88	95.87	269	4682
Jun	95.84	95.85	+0.01	95.85	95.84	271	2943
Sep	95.76	95.76	+0.01	95.76	95.75	120	2478

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Oct 21		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.58	16.40	4.853	1.973	4845	5.445	20.56	489.1	408.2	20.90	3.995	1.986	4.259	3.161	356.2	2.525
Denmark	(DKr)	53.82	10	8.826	2.612	1.062	2607	2.930	11.06	263.2	219.7	11.25	2.150	1.069	2.292	1.701	191.7	1.359
France	(FFr)	60.97	11.33	10	2.959	1.203	2954	3.320	12.54	298.2	248.9	12.74	2.436	1.211	2.597	1.927	217.2	1.539
Germany	(DM)	20.61	3.829	3.379	1	0.406	998.4	1.122	4.237	100.8	84.12	4.306	0.823	0.409	0.878	0.651	73.39	0.520
Ireland	(I£)	50.69	9.420	8.314	2.460	1	2456	2.760	10.42	247.9	206.9	10.59	2.025	1.007	2.159	1.602	180.6	1.280
Italy	(L)	2.064	0.384	0.338	0.100	0.041	100.	0.112	0.424	10.09	8.426	0.431	0.082	0.041	0.088	0.065	7.351	0.052
Netherlands	(Fl)	18.37	3.413	3.012	0.891	0.362	889.8	1	3.776	89.82	74.97	3.838	0.734	0.365	0.782	0.580	65.41	0.464
Norway	(NKr)	48.64	9.038	7.977	2.360	0.959	2357	2.648	10	237.9	198.6	10.16	1.943	0.966	2.071	1.537	173.2	1.228
Portugal	(Es)	20.45	3.799	3.353	0.992	0.403	990.7	1.113	4.204	100.	83.47	4.273	0.817	0.406	0.871	0.646	72.83	0.516
Spain	(Pta)	24.50	4.552	4.018	1.189	0.483	1187	1.334	5.036	119.8	100.	5.119	0.979	0.487	1.043	0.774	87.25	0.618
Sweden	(SKr)	47.85	8.892	7.848	2.322	0.944	2318	2.606	9.838	234.0	195.3	10	1.912	0.951	2.038	1.512	170.4	1.208
Switzerland	(SFr)	25.03	4.651	4.105	1.215	0.494	1213	1.363	5.147	122.4	102.2	5.231	1	0.497	1.066	0.791	89.16	0.632
UK	(£)	50.34	9.354	8.256	2.443	0.993	2439	2.741	10.35	246.2	205.5	10.52	2.011	1	2.144	1.591	179.3	1.271
Canada	(C$)	23.48	4.363	3.851	1.139	0.463	1138	1.278	4.827	114.8	95.85	4.907	0.938	0.466	1	0.742	83.63	0.593
US	($)	31.64	5.879	5.189	1.536	0.624	1533	1.723	6.505	154.7	129.2	6.612	1.264	0.629	1.348	1	112.7	0.799
Japan	(Y)	28.08	5.217	4.605	1.363	0.554	1360	1.529	5.772	137.3	114.6	5.867	1.122	0.558	1.196	0.887	100.	0.709
Ecu		39.61	7.360	6.496	1.922	0.781	1919	2.157	8.143	193.7	161.7	8.277	1.582	0.787	1.687	1.252	141.1	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.6511	0.6531	+0.0025	0.6533	0.6503	14,984	73,703
Mar	0.6562	0.6567	+0.0021	0.6573	0.6562	29	2,595
Jun	-	0.6605	+0.0020	0.6605	-	11	2,273

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7922	0.7947	+0.0030	0.7950	0.7906	10,648	50,327
Mar	0.8005	0.8010	+0.0020	0.8020	0.8004	245	2,397
Jun	-	0.8095	+0.0028	0.8095	-	2	603

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.8953	0.8930	-0.0027	0.8956	0.8926	12,535	71,800
Mar	0.9048	0.9048	-0.0024	0.9048	0.9046	196	2,175
Jun	0.9157	0.9157	-	0.9157	0.9157	1	215

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.5918	1.5886	+0.0004	1.5950	1.5876	8,169	56,116
Mar	1.5890	1.5870	+0.0006	1.5894	1.5870	84	274
Jun	-	1.5850	+0.0004	1.5880	-	4	2

UK INTEREST RATES

LONDON MONEY RATES

Oct 21	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6⅛ - 4	5⅞ - 5⅝	5 15/16 - 5¾	6 1/16 - 5 15/16	6 3/16 - 6 1/16	6½ - 6⅜
Sterling CDs	-	-	5 27/32 - 5 25/32	6 - 5 15/16	6 1/16 - 6 1/32	6 11/32 - 6 9/32
Treasury Bills	-	-	5 11/16 - 5 9/16	5⅝ - 5½	-	-
Bank Bills	-	-	5 29/32 - 5 27/32	5⅞ - 5 13/16	6 - 5⅞	-
Local authority deps.	5¾ - 5⅝	5¾ - 5⅝	5 27/32 - 5 23/32	5 15/16 - 5 13/16	6⅛ - 5 31/32	6¼ - 6⅛
Discount Market deps	5¾ - 5½	5 13/16 - 5 11/16	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from June 6, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount on Oct 18, 5.5518pc. ECGD fixed rate Stlg. Export Finance. Make up day Sep 30, 1996. Agreed rate for period Oct 26, 1996 to Nov 25, 1996, Schemes II & III 7.08pc. Reference rate for period Aug 31, 1996 to Sep 30, 1996, Schemes IV & V 5.849pc. Finance House Base Rate 6pc from Oct 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.89	93.89	+0.01	93.92	93.88	10370	99437
Mar	93.69	93.69	+0.01	93.73	93.67	19549	92918
Jun	93.37	93.34	-0.02	93.41	93.33	20148	82474
Sep	93.12	93.07	-0.03	93.14	93.06	7748	52297
Dec	92.91	92.87	-0.02	92.94	92.86	3859	40225

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9375	0.19	0.17	0.14	0.05	0.23	0.55
9400	0.04	0.07	0.07	0.15	0.38	0.73
9425	0.01	0.02	0.03	0.37	0.58	0.94

Est. vol. total, Calls 3286 Puts 914. Previous day's open int., Calls 126713 Puts 147641

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Cyprus Popular Bank	5.75	NatWestminster	5.75
Allied Irish Bank (GB)	5.75	Duncan Lawrie	5.75	●Rea Brothers	5.75
Allied Trust Bank	5.75	Exeter Bank Limited	6.75	Royal Bk of Scotland	5.75
●Henry Ansbacher	5.75	Financial & Gen Bank	7.00	●Singer & Friedlander	5.75
Bank of Baroda	5.75	●Robert Fleming & Co	5.75	●Smith & Williamson Secs	5.75
Banco Bilbao Vizcaya	5.75	Girobank	5.75	Scottish Widows Bank	5.75
Bank of Cyprus	5.75	●Guinness Mahon	5.75	TSB	5.75
Bank of Ireland	5.75	Habib Bank AG Zurich	5.75	United Bank of Kuwait	5.75
Bank of India	5.75	●Hambros Bank	5.75	Unity Trust Bank Plc	5.75
Bank of Scotland	5.75	Heritable & Gen Inv Bk	5.75	Western Trust	5.75
Barclays Bank	5.75	●Hill Samuel	5.75	Whiteaway Laidlaw	5.75
Brit Bk of Mid East	5.75	C. Hoare & Co	5.75	Yorkshire Bank	5.75
●Brown Shipley & Co Ltd	5.75	Hongkong & Shanghai	5.75		
Citibank NA	5.75	Julian Hodge Bank	5.75		
Clydesdale Bank	5.75	●Leopold Joseph & Sons	5.75		
The Co-operative Bank	5.75	Lloyds Bank	5.75		
Coutts & Co	5.75	Midland Bank	5.75		
Credit Lyonnais	5.75	*Mount Credit Corp	6.00		

● Members of London Investment Banking Association

* In administration

EMS EUROPEAN CURRENCY UNIT RATES

Oct 21	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.792214	0.781176	+0.000187	-1.39	3.01	9
Portugal	195.792	194.070	+0.169	-0.88	2.48	6
Finland	5.80661	5.76561	+0.00239	-0.71	2.30	5
Spain	162.493	162.011	-0.033	-0.30	1.88	2
Netherlands	2.15214	2.16060	+0.00017	0.39	1.18	-3
Belgium	39.3960	39.6730	+0.0017	0.70	0.87	-5
Austria	13.4383	13.5499	+0.0004	0.83	0.74	-6
Germany	1.91007	1.92604	+0.00014	0.84	0.73	-8
Denmark	7.28580	7.37356	-0.00061	1.20	0.37	-8
France	6.40608	6.50697	+0.00259	1.57	0.00	-13
NON ERM MEMBERS						
Greece	292.867	301.004	-0.02	2.78	-1.17	-
Italy	2106.15	1922.19	+4.13	-8.73	11.30	-
UK	0.786652	0.785537	-0.002003	-0.14	1.72	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu: a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	PUTS Nov	PUTS Dec	PUTS Jan
1.570	2.15	2.45	2.68	0.27	0.62	0.93
1.580	1.43	1.80	2.10	0.55	0.97	1.30
1.590	0.87	1.26	1.57	1.03	1.50	1.78
1.600	0.47	0.85	1.15	1.60	2.02	2.35
1.610	0.22	0.53	0.81	-	-	-

Previous day's vol., Calls 7,172 Puts 5,513. Prev. day's open int., Calls 143,377 Puts 133,238

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.39	94.39	-	94.40	94.38	56,554	475,519
Mar	94.31	94.31	-0.01	94.33	94.30	51,706	374,418
Jun	94.17	94.18	-	94.19	94.16	40,340	278,024

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.96	94.95	-0.02	94.96	94.95	84	4,025
Mar	-	94.85	-	-	-	72	1,824
Jun	-	94.69	-	-	-	3	1,307

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	CALLS Mar	PUTS Nov	PUTS Dec	PUTS Jan	PUTS Mar
9675	0.11	0.12	0.17	0.20	0.01	0.02	0.06	0.09
9700	0.01	0.02	0.05	0.08	0.16	0.17	0.19	0.22
9725	0	0	0.01	0.02	0.40	0.40	0.40	0.41

Est. vol. total, Calls 7555 Puts 9263. Previous day's open int., Calls 414842 Puts 302611

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9825	0.14	0.23	0.34	0.15	0.24	0.43
9850	0.05	0.12	0.21	0.31	0.38	0.55

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 4178 Puts 2050

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9225	0.26	0.78	1.13	0.12	0.10	0.13
9250	0.12	0.58	0.93	0.23	0.15	0.18
9275	0.05	0.41	0.75	0.41	0.23	0.25

Est. vol. total, Calls 1024 Puts 50. Previous day's open int., Calls 107552 Puts 61031

COMMODITIES AND AGRICULTURE

Poor cotton harvest in Uzbekistan

By Sander Thoenes in Almaty

Uzbekistan's cotton harvest is falling 20 per cent below target this year, and early rain is threatening to spoil the remaining crop.

Cotton provides 60 per cent of Uzbekistan's export revenues, and a bad crop could worsen the country's shortage of hard currency.

News of the poor crop – hurt by cold spring weather – comes as the government takes a cautious first step towards ending its monopoly on cotton exports.

Last year Uzbek farmers gathered just under 1.25m tons of cotton fibre. The country exported 1.05m tons of cotton in 1995, compared with 1.3m tons in 1992.

The International Consultative Commission on Cotton, which represents 40 cotton-producing countries, predicts this year's harvest will reach 1.02m tons of cotton fibre, and cotton exports only 940,000 tons.

The government has tried to encourage production by paying higher prices and ensuring that state orders make up only 40 per cent of cotton produce – leaving farms free to sell 60 per cent for export or domestic sales. It has pledged to phase out state orders altogether by 1998. But only the Ministry of Trade has been able to license exporters, keeping a tight reign and offering minimal prices.

"Although the farmers have the right on paper to sell freely, in practice they can't," said Mr Sergei Kharitonov, agricultural economist at the Tashkent office of the World Bank.

In late September, the government issued a decree allowing the sale of cotton fibre at a commodity exchange in the capital of Tashkent, with a price in dollars, freedom to export and exemption from export tariffs.

"It will be an alternative market that will react more quickly to the rise and fall in prices," said Mr Kharitonov, who had pushed for the decree. "And it will compete with the trade ministry."

Mr Ilkhom Shaikhov, deputy chairman of the Republican Commodity and Raw Materials Exchange, said the first bales of cotton would probably go under the hammer next year.

Western traders are pessimistic about the effects of the new cotton exchange.

"That is where it should move," said Mr Marc Sadler, representative of Meredith Jones in Liverpool, but added: "Right now the state is the only organ which has the ability to buy, transport and sell the cotton, and it is doing so quite efficiently."

US bank 'trying to push up copper'

MARKETS REPORT

By Kenneth Gooding, Mining Correspondent

A large US investment bank, widely believed to have taken over Sumitomo's outstanding copper positions, is trying to push the London Metal Exchange copper price to $3,000 a tonne, according to Mr Ted Arnold, an analyst at Merrill Lynch financial services group.

"Some traders are even forecasting price spikes of up to $2,150 a tonne," he says in Merrill's latest report on commodity market trends.

Mr Arnold said the investment bank's strategy is already beginning to fail as, when the three-month copper price rallies above $1,950 a tonne, there are increasing volumes of forward selling by North and South American producers.

"The investment bank currently doing the squeezing simply does not have the resources that Sumitomo had to squeeze with," Mr Arnold said.

On the LME yesterday copper moved above the closely watched $1,950 level. After reaching $1,965 in the morning, copper for delivery in three months eased back and in after-hours trading was $1,951, up $11 a tonne.

There was speculation the LME would report today a further fall in its stocks of between 10,000 tonnes and 15,000 tonnes, following the 19,125 tonnes fall on Friday.

● The Baltic Freight Index yesterday surged a further 31 points higher to 1,176 points as Panamax rates were driven up by strong demand from grain charterers in the North Atlantic. The upward trend on the BFI shows little sign of slowing.

COMMODITIES NEWS DIGEST

Hurricane hits Cuba sugar

Widespread flooding and wind damage to sugar cane fields in Cuba's western and central provinces caused by Hurricane Lili is forcing the island to revise its estimates for the 1996-97 sugar harvest. The Sugar Ministry had been hoping to lift next season's production above 5m tonnes, encouraged by the improved 1995-96 sugar crop of 4.45m tonnes.

"We have to revise our estimates," said the Sugar Ministry. A team led by a deputy minister is evaluating the damage in the worst-hit provinces of Havana, Matanzas, Villa Clara, Cienfuegos and Sancti Spiritus. More than half Cuba's 156 sugar mills are situated in these five provinces which between them accounted for nearly 2m tonnes of last year's harvest.

Initial estimates of cane areas either blown flat or affected by flooding ranged from more than 60 per cent in Havana and Sancti Spiritus up to 90 per cent in Cienfuegos and Villa Clara. The Sugar Ministry stressed that much of this damaged cane could recover. He qualified the damage as "medium serious". Many sugar mills suffered structural damage.

Cuba's Agriculture Ministry also reported big losses in staple crops such as bananas and export crops such as citrus, coffee and tobacco. The damage appeared to have dealt a heavy blow to Cuba's efforts to increase hard-currency export earnings when the island was showing signs of recovering from a five-year economic recession.

Cuba yesterday asked the UN to provide humanitarian assistance in the form of food, medicines, construction materials and agricultural equipment.

Pascal Fletcher, Havana

El Abra to rely on stockpiles

Chile's El Abra copper mine will be able to keep up production into early or mid-November by using its stockpiles, Mr John Fenn, the mine's site manager said yesterday. Production at the open pit mine in northern Chile has been halted since a key conveyor belt carrying copper ore was buried under tonnes of debris on October 9. However, the rest of the mine's production areas has been going ahead with stockpiles. Four workers died in the accident.

Mr Fenn said stockpiles would last to early or mid-November. Cyprus Amax, the mine's owner, said: "We are excavating the belt and we are ordering parts so we'll have them on hand to repair the belt."

Reuter, Santiago

Jamaica lifts bauxite output

Jamaica's bauxite ore output in the first nine months of this year reached 8.9m tonnes, 9.1 per cent more than the first nine months of last year, according to the Jamaica Bauxite Institute. Alumina production of 2.4m tonnes was 5.4 per cent higher. The institute said the island remained the world's third-largest producer of bauxite, after Australia and Guinea. "This year's improvement in output is the result of a reduction in labour disputes in the industry," it added.

Canute James, Kingston

Philippines reins in foreign miners

At the Diwalwal township in the southern Philippines, 60,000 people are crammed into makeshift huts overlooking sewers which double up as streets.

The town, which sends children down 100-metre shafts to mine gold, is one of many in the mineral-rich archipelego. Informal studies show that between 500,000 and 2m people are dependent on small-scale mining in the Philippines.

Chris Stowers

Workers at a river-bed goldmine in central Mindanao

With the seventh-largest gold reserves in the world, the country is undergoing one of its periodic bouts of gold fever. Last year the government opened up the country's resources to 100 per cent to foreign-owned ventures in an effort to push Philippine mining into the modern era. With 20 foreign multinationals applying for over 70 exploration licenses, the 1995 mining act appeared to be a success.

Then disaster struck. Earlier this year Marcopper, a local company 40 per cent owned by Placer Dome of Canada, leaked 20m cu metres of waste into a river from its copper mill in Marinduque. The accident, which Placer Dome has spent US$15m to clean up, unleashed a wave of resentment against foreign mining companies.

The department of the environment (DENR) froze approval of all but two of the 70 applications and held a series of public consultations to revise elements of the mining act. The findings have outraged the foreign mining community.

"It [the revised provisions] will result in a worldwide downgrading of the Philippine mining industry," said Mr Malcolm Norris, chairman of the International Mining and Exploration Committee. "It will undermine the attractiveness of the Philippines as an investment site."

Executives say the changes – which would give preferential access to alternative commercial ventures on potential mining sites and require foreign companies to set aside 10 per cent of total costs for environmental improvements – would be the strictest in the region.

The changes would also give preferential access to small-scale local miners which, say foreign companies, use environmentally damaging techniques. "Small-scale mining is much more damaging to the environment than large-scale," said one official.

Government officials appear to be divided. Some fear the revisions could deter up to US$2.1bn in foreign mining investment.

However, Antonio Lavina, undersecretary at the DENR, which is in charge of the revisions, has said the alterations would stick. Mr Lavina angered mining companies last week when he encouraged local groups to "test" the legality of aspects of the mining act.

The system of financial or technical assistance agreements (FTAAs), where companies are licensed to explore up to 81,000 hectares at a fee of 50 pesos per hectare, should be challenged, he said. The FTAAs give companies the right to explore the area and mine any deposits which are discovered. The company is required to divide up to 50 per cent of revenues with the government.

"Last year we passed the mining act and all of a sudden a lot of foreign companies were applying for licences," said Mr Victor Ramos, secretary of state for the environment. "This has happened too quickly without proper social preparations. We noticed that the left has used it to trigger resentment against foreigners."

Mr Ramos says the new provisions will not drastically alter the 1995 mining law. Companies with good environmental track records have nothing to fear, he says. But foreign executives say the difference between the new and old codes could mean the difference between risking capital on the Philippines or taking it elsewhere.

Edward Luce

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1321.5-22.5	1354-54.5
Previous	1328-9	1259-60
High/low	1322	1364/1347
AM Official	1322-22.5	1353-53.5
Kerb close		1351-52
Open int.	214,851	
Total daily turnover	44,223	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1198-203	1225-26
Previous	1210-15	1229-31
High/low		1228/1222
AM Official	1195-200	1221-22
Kerb close		1225-30
Open int.	5,442	
Total daily turnover	414	

■ LEAD ($ per tonne)

Close	707-08	718-19
Previous	712-3	723-4
High/low	708	715/716
AM Official	707-08	718-19
Kerb close		724-25
Open int.	40,481	
Total daily turnover	13,373	

■ NICKEL ($ per tonne)

Close	6950-60	7060-70
Previous	6945-55	7055-60
High/low	6950	7100/7045
AM Official	6940-50	7046-48
Kerb close		7060-70
Open int.	43,929	
Total daily turnover	7,710	

■ TIN ($ per tonne)

Close	5905-15	5965-70
Previous	5900-05	5900-10
High/low		5975/5955
AM Official	5898-99	5960-61
Kerb close		5979-80
Open int.	15,823	
Total daily turnover	4,641	

■ ZINC, special high grade ($ per tonne)

Close	994-95	1020-20.5
Previous	992-3	1017-8
High/low		1024/1019
AM Official	993-94	1019-19.5
Kerb close		1024-25
Open int.	70,387	
Total daily turnover	16,625	

■ COPPER, grade A ($ per tonne)

Close	1966-67	1951-53
Previous	1962.5-4.5	1931-2
High/low	1986/1977	1956/1942
AM Official	1975-76	1943-45
Kerb close		1950-57
Open int.	173,556	
Total daily turnover	50,541	

■ LME AM Official £/$ rate: 1.5937
LME Closing £/$ rate: 1.5905

Spot: 1.5919 3 mths: 1.5900 6 mths: 1.5882 9 mths: 1.5860

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	95.75	+1.65	95.95	93.70	397	3,075
Nov	94.15	+1.60	94.20	92.55	258	2,425
Dec	93.00	+1.45	93.00	91.20	4,940	23,070
Jan	92.20	+1.35	92.00	92.00	52	1,390
Feb	91.40	+1.10	91.00	91.00	119	940
Mar	90.50	+1.15	90.50	89.10	834	10,106
Total					6,718	57,452

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	381.60-382.00		
Opening	379.80-380.20		
Morning fix	380.00	238.889	482.866
Afternoon fix	381.00	239.623	481.965
Day's High	381.90-382.30		
Day's Low	379.70-380.10		
Previous close	380.10-380.40		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.57	6 months	3.54
2 months	3.56	12 months	3.57
3 months	3.53		

Silver Fix	p/troy oz.	US cts equiv.
Spot	307.20	489.75
3 months	311.50	496.00
6 months	315.70	502.15
1 year	324.70	514.65

Gold Coins	$ price	£ equiv.
Krugerrand	381-384	239-241
Maple Leaf	386.60-389.10	
New Sovereign	89-92	56-58

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	381.9	+1.8	-	-	2	13
Dec	383.9	+1.8	384.0	380.3	10,624	108k
Feb	386.1	+1.9	386.3	383.6	201	16,256
Apr	388.3	+1.9	388.4	386.8	208	10,600
Jun	390.7	+1.9	389.7	389.7	15	11,005
Aug	393.1	+1.8	-	-	279	4,352
Total					11,620	194,590

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	386.5	+0.1	-	-	3	14
Jan	388.2	+0.1	388.8	387.0	850	19,650
Apr	390.8	+0.1	391.5	390.5	31	7,469
Jul	393.8	+0.1	394.0	394.0	33	916
Oct	397.3	+0.1	-	-	-	27
Total					889	28,076

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	118.40	+1.15	118.50	117.25	346	7,739
Mar	119.40	+1.15	-	117.50	20	207
Jun	120.45	+1.15	-	-	-	115
Total					366	8,061

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	490.8	+4.3	-	-	13	1
Dec	493.7	+4.0	495.5	489.5	7,216	62,483
Jan	495.7	+4.0	498.0	498.0	5	28
Mar	500.6	+4.0	502.5	497.0	678	12,603
May	505.2	+4.0	503.0	503.0	36	6,534
Jul	509.8	+4.0	510.0	510.0	43	5,032
Total					8,190	83,705

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels. $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	25.75	-0.04	25.85	25.55	21,595	30,433
Dec	25.32	-0.02	25.50	25.18	34,172	95,894
Jan	24.82	+0.02	24.97	24.65	7,595	53,326
Feb	24.24	+0.08	24.30	24.07	7,298	36,734
Mar	23.80	+0.06	23.61	23.49	3,733	21,066
Apr	23.02	+0.03	23.05	23.00	1,972	14,640
Total					85,585	418,411

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	24.55	+0.02	24.75	24.38	11,038	74,475
Jan	23.85	-0.03	24.03	23.68	4,044	34,579
Feb	23.14	+0.04	23.28	22.98	2,355	22,487
Mar	22.39	+0.07	22.47	22.24	885	26,455
Apr	21.67	+0.07	21.76	21.62	1,092	7,642
May	21.05	+0.03	21.11	20.98	276	3,843
Total					19,980	185,112

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	74.05	-0.01	74.50	73.25	11,679	33,517
Dec	73.75	+0.07	74.00	72.95	8,460	36,190
Jan	73.00	+0.32	73.15	72.35	4,084	26,449
Feb	71.10	+0.62	71.10	70.30	2,762	13,073
Mar	67.85	+0.67	67.85	67.05	647	8,949
Apr	63.80	+0.42	63.80	63.25	382	4,589
Total					28,326	140,932

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	234.00	-	238.00	233.25	6,640	29,072
Dec	227.75	+0.75	231.00	227.00	2,862	21,796
Jan	221.25	+1.50	223.25	220.50	1,050	18,051
Feb	212.75	-	214.50	212.00	773	6,058
Mar	203.50	+1.50	205.00	203.00	512	4,992
Apr	194.75	+2.50	195.25	194.50	385	4,397
Total					11,980	85,480

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	2.465	+0.065	2.495	2.380	8,511	28,777
Dec	2.610	+0.034	2.635	2.555	3,604	32,930
Jan	2.635	+0.033	2.680	2.585	1,812	20,468
Feb	2.525	+0.043	2.535	2.470	706	12,013
Mar	2.370	+0.051	2.375	2.310	545	8,393
Apr	2.160	+0.046	2.160	2.115	424	5,211
Total					19,229	163,169

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	68.20	+0.26	68.35	67.30	9,896	21,470
Dec	67.45	+0.35	67.60	66.65	3,183	19,374
Jan	66.60	+0.54	66.90	65.70	1,125	10,394
Feb	66.00	+0.44	66.00	65.40	493	3,594
Mar	65.80	+0.04	65.80	65.80	334	2,141
Apr	67.65	-	67.70	67.65	83	2,752
Total					15,214	62,035

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	97.40	+0.90	97.00	95.75	192	781
Jan	99.35	+0.85	99.35	97.50	337	2,230
Mar	100.50	+0.75	100.50	98.75	284	1,624
May	102.00	+0.80	102.00	100.35	127	1,243
Jul	103.50	+0.70	-	-	-	172
Nov	97.00	+0.50	97.00	96.50	62	127
Total					947	6,177

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	400.50	-4.25	406.00	400.00	13,242	38,876
Mar	392.75	-3.25	397.00	392.00	4,810	18,136
May	374.00	-3.00	378.00	374.00	547	1,664
Jul	359.00	-4.75	365.00	358.00	905	9,298
Sep	362.00	-3.50	363.50	362.00	25	298
Dec	369.00	-4.00	379.00	372.00	3	184
Total					19,512	68,880

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	279.00	-1.25	281.25	278.00	43,479	154,013
Mar	285.00	-1.25	287.25	284.50	11,674	81,608
May	290.50	-1.50	292.50	290.25	4,739	37,655
Jul	292.25	-2.00	294.75	292.00	5,131	29,642
Sep	282.25	-1.00	284.00	282.00	387	3,204
Dec	278.25	-2.25	281.25	278.00	1,735	21,774
Total					67,205	328,733

■ BARLEY LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	94.25	+0.50	94.00	93.00	9	564
Jan	96.00	+0.50	95.50	95.50	32	844
Mar	97.50	+0.50	96.75	96.75	10	203
May	99.00	+0.50	98.50	98.40	20	110
Sep	93.00	-	-	-	-	1
Total					71	1,747

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	680.50	-1.50	685.50	678.50	46,706	71,706
Jan	684.50	-1.75	689.50	682.50	15,069	42,292
Mar	690.25	-3.25	695.50	688.50	7,306	28,768
May	693.25	-3.75	699.00	691.50	2,651	16,072
Jul	695.25	-3.25	701.50	693.50	3,967	13,565
Aug	692.50	-3.00	699.00	692.00	121	1,284
Total					76,8621	80,954

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	22.91	+0.09	23.08	22.78	666	619
Dec	23.21	+0.14	23.39	23.03	9,803	50,023
Jan	23.47	+0.12	23.63	23.32	1,765	16,640
Mar	23.77	+0.12	23.95	23.70	1,956	16,874
May	24.03	+0.13	24.15	23.92	899	9,248
Jul	24.30	+0.07	24.35	24.18	533	3,679
Total					15,932	100,371

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	229.7	-4.7	235.0	228.6	1,342	1,262
Dec	221.8	-2.3	224.7	221.5	20,357	45,450
Jan	218.5	-2.1	221.3	218.0	3,123	10,258
Mar	216.4	-1.8	219.5	216.0	3,757	16,430
May	214.3	-2.1	217.2	214.2	2,242	8,989
Jul	213.7	-2.5	217.2	213.8	2,043	4,591
Total					33,033	89,406

■ POTATOES LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	32.5	-	-	-	-	2
Mar	68.7	+2.7	-	-	-	-
Apr	70.0	+2.7	70.0	68.5	74	1,341
May	79.0	+0.7	-	-	-	17
Jun	89.0	+0.7	-	-	-	-
Total					74	1,360

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	1242	+7	1242	1240	15	846
Nov	1350	+25	1350	1340	88	667
Dec	1330	+15	1330	1325	22	279
Jan	1330	+19	1345	1321	99	1,793
Apr	1343	+22	1355	1330	62	627
Jul	1145	+10	1155	1155	30	157
Total					316	4,408

	Close	Prev
BFI	N/A	1118

SOFTS

■ COCOA LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	960	+3	961	947	1,740	28,636
Mar	986	+1	989	976	1,479	41,552
May	1000	+1	1001	989	607	17,926
Jul	1013	-	1018	1004	162	11,718
Sep	1027	-1	1030	1021	219	4,085
Dec	1039	-5	1038	1036	180	4,105
Total					4,891	131,474

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	1383	-5	1391	1377	4,348	27,863
Mar	1412	-5	1418	1407	3,425	23,626
May	1427	-8	1430	1425	587	8,976
Jul	1440	-5	1440	1437	140	6,448
Sep	1456	-5	1457	1456	160	5,733
Dec	1475	-4	-	-	114	797
Total					8,882	92,404

■ COCOA (ICCO) (SDR's/tonne)

Oct 18	Price	Prev. day
Daily	1033.49	1044.74

■ COFFEE LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	1500	-5	1505	1482	3,620	10,064
Jan	1387	-12	1397	1375	4,558	12,539
Mar	1355	-6	1357	1340	722	6,798
May	1332	-9	1340	1322	303	2,639
Jul	1332	-8	1340	1323	74	340
Sep	1332	-8	1344	1344	1	77
Total					9,277	32,575

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	113.00	+3.90	113.30	108.60	3,676	13,257
Mar	104.05	+2.50	104.50	101.50	1,239	8,021
May	103.25	+2.65	103.25	101.25	476	2,771
Jul	102.90	+2.15	102.80	101.00	87	803
Sep	102.90	+2.40	101.00	101.00	298	526
Dec	102.75	+2.25	102.75	102.75	2	319
Total					5,787	25,777

■ COFFEE (ICO) (US cents/pound)

Oct 18		Prev. day
Comp. daily	96.69	97.64
15 day average	97.64	97.51

■ WHITE SUGAR LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	317.4	-1.3	318.0	316.6	800	8,726
Mar	314.1	-1.7	314.5	313.0	1,056	12,165
May	314.2	-2.0	314.9	313.4	757	3,831
Aug	316.4	-1.8	316.8	315.5	55	1,731
Oct	309.8	-1.4	310.1	309.0	11	1,009
Dec	312.7	-1.7	313.6	313.0	-	274
Total					2,688	28,853

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	10.57	-0.07	10.60	10.52	16,255	84,828
May	10.61	-0.04	10.64	10.53	3,525	29,090
Jul	10.54	-0.04	10.55	10.48	1,119	18,547
Oct	10.53	-0.03	10.53	10.48	829	10,750
Mar	10.52	-0.01	10.52	10.50	464	3,274
May	10.47	-0.03	10.45	10.45	252	604
Total					22,469	147,820

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	71.92	+0.27	72.40	71.15	14,569	25,791
Mar	73.28	+0.43	73.50	72.60	5,465	12,386
May	74.25	+0.45	74.50	73.70	2,254	7,951
Jul	74.88	+0.11	75.40	74.50	1,650	5,950
Oct	75.70	+0.13	76.00	75.25	158	1,221
Dec	75.68	+0.08	75.90	75.50	332	4,355
Total					24,430	58,111

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	111.50	-0.15	112.00	110.70	469	5,850
Jan	102.70	-0.35	104.10	101.25	587	6,488
Mar	104.65	-0.35	105.70	104.00	387	3,218
May	106.70	-0.20	108.00	105.95	118	852
Jul	108.75	+0.05	109.15	109.15	2	521
Sep	110.25	-	-	-	-	239
Total					1,581	17,162

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open Int
Oct	71.675	-0.25	72.000	71.450	1,597	7,563
Dec	64.900	-0.45	65.150	64.550	5,316	39,161
Feb	62.850	-0.65	63.200	62.800	1,885	18,789
Apr	64.975	-0.4	65.250	64.925	1,129	10,489
Jun	63.100	-0.05	63.300	62.900	820	4,853
Aug	62.750	-0.025	62.975	62.800	460	5,504
Total					8,760	88,248

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open Int
Oct	55.125	-0.725	55.700	54.900	843	1,551
Dec	53.600	-0.75	54.250	53.550	4,587	15,464
Feb	74.325	-0.825	75.150	74.200	1,260	7,891
Apr	70.275	-0.775	71.100	70.200	242	3,031
Jun	75.100	-0.725	75.850	75.000	216	3,163
Jul	72.600	-0.9	73.200	72.600	32	810
Total					5,460	32,668

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open Int
Feb	68.300	-3	70.750	68.300	2,929	5,472
Mar	67.800	-3	70.700	67.800	201	613
May	70.250	-3	72.500	70.250	61	330
Jul	70.550	-3	71.350	71.350	13	141
Aug	68.450	-3	71.450	68.450	2	33
Total					1,552	6,414

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Nov	Feb	Nov	Feb
1325	43	93	12	30
1350	17	64	35	50
1375	5	41	73	77
■ COPPER (Grade A) LME	Nov	Feb	Nov	Feb
1900	105	130	11	82
1950	69	105	24	106
2000	41	84	46	134
■ COFFEE LIFFE	Nov	Jan	Nov	Jan
1500	19	22	3	135
1550	1	14	35	177
1600	-	10	84	223
■ COCOA LIFFE	Dec	Mar	Dec	Mar
950	30	63	21	27
975	19	49	34	38
1000	11	38	51	52
■ BRENT CRUDE IPE	Dec	Jan	Dec	Jan
2400	-	-	55	-
2450	71	-	-	-
2500	61	-	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$22.12-2.17x	+0.235
Brent Blend (dated)	$25.10-5.14	-0.060
Brent Blend (Dec)	$24.54-4.56	+0.035
W.T.I.	$25.37-5.40x	+0.070

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$241-243	
Gas Oil	$235-237	-1
Heavy Fuel Oil	$124-126	
Naphtha	$231-233	+3
Jet fuel	$262-265	
Diesel	$263-265	+2.5

■ NATURAL GAS (Pence/therm)

Bacton (Dec)	13.35-3.45	

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

Gold (per troy oz)♣	$381.80	+1.55
Silver (per troy oz)♣	489.75c	-2.75
Platinum (per troy oz.)	$383.50	-0.25
Palladium (per troy oz.)	$116.25	+0.50
Copper	96.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.68r	+0.06
Tin (New York)	277.50	+1.50
Cattle (live weight)	98.22p	+1.39*
Sheep (live weight)	116.36p	+1.20*
Pigs (live weight)†	94.55p	-5.19*
Lon. day sugar (raw)	$265.10	-4.40
Lon. day sugar (wte)	$325.50	-1.10
Barley (Eng. feed)	103.50	
Maize (US No3 Yellow)	126.50	
Wheat (US Dark North)	Unq	
Rubber (Nov)♥	82.75p	
Rubber (Dec)♥	82.75p	
Rubber (KL RSS No1)	311.5z	+1.5
Coconut Oil (Phil)§	$730.0v	
Palm Oil (Malay.)§	520.0z	-7.5
Copra (Phil)§	$459.0v	
Soyabeans (US)	201.0	-3.0
Cotton Outlook'A' index	74.35	-0.45
Wooltops (64s Super)	410p	-5

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. x Dec v Oct/Nov z Nov ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 413 head of pigs sold.

FUTURES DATA
All futures data supplied by CMS.

Tea
There was improved general demand this week reports the Tea Broker's Association. Landed selected best Assams were again well competed for at fully firm to dearer rates. Colomy mediums were about steady but plainer sorts tended lower. East Africans ruled fully firm to sometimes dearer. Offshore good demand at firm to dearer rates. Quotations: landed best available: 175p/kg. good: 128p/kg, good medium: 117p/kg, medium: 106p/kg, low medium: 90p/kg, nom the highest price realised this week was 175p/kg, for a North Indian pf.

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ REUTERS (Base: 18/9/31=100)

Oct 21	Oct 18	month ago	year ago
1857.5	1865.1	1888.7	2091.9

■ CRB Futures (Base: 1967=100)

Oct 18	Oct 17	month ago	year ago
243.35	244.12	-	-

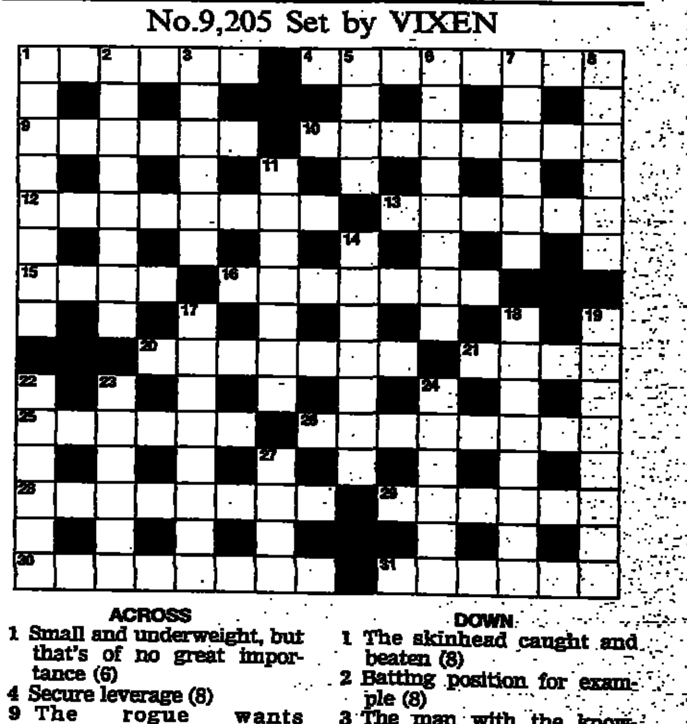
■ GSCI Spot (Base: 1970=100)

Oct 18	Oct 17	month ago	year ago
210.86	210.08	203.22	179.90

JOTTER PAD

CROSSWORD

No.9,205 Set by VIXEN



ACROSS
1 Small and underweight, but that's of no great importance (6)
4 Secure leverage (8)
9 The rogue wants smashed-up cars – a fair number (6)
10 Exploited or led on a painter (8)
12 A green banana left a worker in much discomfort (8)
13 Children will go after a kind of shirt made of paper (6)
15 Some hostesses serve a cheesecake apiece (4)
16 Pole inclined to be formal (7)
20 Striking cuttings requiring stick to hold on (7)
21 Shy players (4)
25 Rather earlier (6)
26 Fillet with pate set before a group of music men (8)
28 Appeals for a little shopping-centre at some convenient spot (8)
29 Turn over a note to autograph (6)
30 Lagging adroitly dealt with (8)
31 Force of soldiers on the way by ship (6)

DOWN
1 The skinhead caught and beaten (8)
2 Batting position for example (8)
3 The man with the know-how to make a suit (6)
5 Accustomed to being in employment (4)
6 Regard as deliberate (8)
7 Confronting a furious union (6)
8 Eats out with some hesitation and does badly (6)
11 A session for brooding (7)
14 Lay clutching their covering (7)
17 Fly from ordeal with utmost speed (8)
18 A periodical storage-place for military supplies (8)
19 The boss sent out those reading (8)
22 Very large watch found on the Continent (6)
23 "Fame is no plant that grows on – soil" (Milton) (6)
24 These days green gets publicity (6)
27 Take the lead in sending up little beasts (4)

Solution to Saturday's prize puzzle on Saturday November 2.
Solution to yesterday's prize puzzle on Monday November 4.

FT MANAGED FUNDS SERVICE

Offshore Funds

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OFFSHORE AND OVERSEAS

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LUXEMBOURG (SIB RECOGNISED)

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
ABN AMRO Funds (u)						
4 Rue Jean Monet, L-2180 Luxembourg 352 424949320						
Latin America Equity			$49.30	50.04	—	-
North America Equity			$79.82	80.28	—	-
Asian Tigers Equity			SG1.20	61.81	-	-
Europe Equity			$72.82	73.18	-	-
Germany Equity			[illegible]	135.75	—	-
Japan Equity			$49.37	43.86	—	-
Europe Bond			$60.72	60.93	—	-
US Bond			$58.65	58.80	—	-
Global Bond			$80.69	60.84	—	-
Currency Bond B			[illegible]	108.90	—	-
Spain Bond			[illegible]	9935	—	-
Eastern Europe Equity F			[illegible]	186.87	-	-
China Equity F			$56.47	57.18	—	-
Switzerland Equity			[illegible]	123.91	—	-
Abtrust Fund Mngrs Luxembourg SA (u)						
4 Boulevard Royal L 2449 Luxembourg 00 352 227001						
Abtrust Atlas Fund						
Global Cap Portfolio			$3.785		+0.032	-
United States Portfolio			$5.538		+0.044	-
Contl Europe Portfolio	0		DM6.442		+0.036	-
Japan Portfolio			$0.645		+0.003	-
Pacific Portfolio			$6.608		+0.037	-
Gold Portfolio			$6.183		-0.048	-
UK Growth of Income			£2.129		+0.006	3.81
Dollar Portfolio			$1.902		+0.001	7.03
Sterling Portfolio			£1.104		-0.001	6.30
Astra Master Fund (u) (x)						
21 avenue de la Liberte, L-1931, Lux 00 352 479 96500						
Australian Nat NAV			A$17.04		+0.03	-
Austrian Nat NAV			Sch65.04		+0.43	-
Belgian Lux NAV			BFr767.93		+0.84	-
Dutch Nat NAV			Dfl40.78		+0.29	-
French Nat NAV			FFr134.22		+1.37	-
German Nat NAV			DM18.46		+0.12	-
Hongkong Nat NAV			HK$126.21		+0.37	-
Italian Nat NAV			L11774		+28	-
Japanese Nat NAV			Y1305		+10	-
Spanish Nat NAV			Pta1.788		+12	-

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
Fidelity Funds - Contd.						
Country Select Funds						
ASEAN			$19.88		+0.18	-
Asian Special Situations			$10.77		+0.08	-
Australia			A$10.67		-0.01	1.27
Emerging Markets			$8.420		+0.030	-
European Sm Cos F			DM13.73		+0.05	-
France			FFr86.66		+0.50	-
Germany			DM21.43		+0.07	-
Hong Kong			$49.66		+0.29	0.58
Iberia			Pta1878		+19	-
Indonesia			$10.12		+0.08	-
Italy			L14439		+109	-
Japan Smllr Cos			Y1074		+7	-
Korea F	0		$9.005		-0.120	-
Latin America			$8.616		+0.023	0.53
Malaysia			$34.68		+0.13	-
Nordic			SKr185.6		+2.3	-
Singapore			$23.76		+0.04	-
Switzerland			SFr15.05		+0.03	-
Thailand			$27.76		+0.60	-
United Kingdom			£1.142		—	-
Bond Funds						
European			Ecu11.09		—	6.28
International			$7.044		+0.001	5.48
US Dollar			$5.602		+0.010	5.32
Sterling			£0.255		—	6.93
Yen			Y1849		+1	2.49
Balanced						
European Balanced			DM12.67		+0.07	1.82

Prices as at October 18

Fleming Group (u)
6 Route De Treves L-2633 Senningerberg Luxembourg
00 352 34101 or 0800 900 284
Internet: http://www.fleming.lu/

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
Fleming Flagship Fund (daily dealing)						
FFF American			$51.51	54.49	+0.18	-
FFF Amer Fled'ing F			$23.42	67.09	-0.02	-
FFF Asian Smaller Cos F			$10.44	11.05	-0.01	-
FFF China			$12.57	13.30	+0.04	-
FFF Continental Europe F			[illegible]	38.38	+0.10	-
FFF DM Balanced F	5		[illegible]	11.52	-0.01	-
FFF DM Bond	3		[illegible]	11.59	+0.01	6.90
FFF Eastern European F			[illegible]	24.12	-0.31	-
FFF Eastern Opps			$21.21	22.44	-0.01	-

Mercury Asset Management S.A. - Contd.
Gold & Mining
Australian & New Zealand
Eastern European
European
Japan
Latin American
North American
Pacific
Singapore & Malaysian
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European Opps
Global Opps
Japan Opps
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European Opps
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	Selling Price	Buying Price	+ or -	Yield Gross
Old Mutual International - Contd.				
$ 5th Av Stockmkt	$2.983	3.203	—	—
$ Japan Stockmkt	$1.655	1.780	—	—
$ Pacific Stockmkt	$5.330	5.731	—	—
$ Emerging Asian Stockmkt	$2.228	2.396	—	—
$ Hong Kong Stockmkt	$7.302	7.849	—	—
$ Intl Fixed Interest	$3.810	4.097	—	—
$ Intl Mixed Currency	$2.439	2.623	—	—
$ Dollar Money Mkt	$2.265	2.435	—	—
$ Latin American Stockmkt	$0.950	1.022	—	—
$ Dollar Special Mkt	$1.088	1.171	—	—
$ Emerging Market Bond	$1.177	1.266	—	—
$ Emerging Stockmarkets	$0.855	0.920	—	—
$ Fund Futures1 Sep '98	$1.669		—	—
$ Fund Futures2 Mar '99	$1.485		—	—
$ Fund Futures3 Sep '99	$1.706		—	—
$ Fund Futures4 Dec 2000	$1.579		—	—
$ Fund Futures5 Dec 2001	$0.703		—	—
[illegible]	$1.126		—	—
Swiss Franc Managed	SFr6.809	7.322	—	—
Swiss Franc Money Mkt	SFr1.280	7.382	—	—
[illegible]	SFr1.015	1.093	—	—
DEM Deutschemark Mgd	DM2.659	2.849	—	—
$ Secure Stockmkt Index	$0.941	1.013	—	—
£ Secure Stockmkt Index	0.941	1.013	—	—
Anchor Managed Funds				
£ OFS Global Pen	£1.398	1.503	—	—
£ YRA Worldwide	£1.388	1.493	—	—
$ YRA Ulr Worldwide	$1.515	1.629	—	—
Young & Co Blend P'folio	$1.272	1.367	—	—
Pioneer Mid Term Agg	$1.143	1.229	—	—
Pioneer Long Term Cons	$1.110	1.194	—	—
Pioneer Long Term Agg	$0.876	0.942	—	—
HFP Selective Mgd	$1.123	1.208	—	—
[illegible]	$0.849	0.913	—	—
[illegible]	DMD 934	1.004	—	—
PanEuroLife societe anonyme				
36 Av Marie-Thérèse, Luxembourg		00 352 456730		
Franco Balanced Oct 16	FFr6947.03		+61.57	—
German/Benelux Oct 16	DM3149.08		+17.44	—
Global Equities Oct 16	$1380.20		+7.90	—
UK Secure Gth Oct 16	£737.01		+2.24	—
US Secure Growth Oct 16	$7169.43		+0.53	—
Intl Real Estate Oct 16	Ecu1493.30		+32.82	—
Fund of Funds Oct 16	Ecu1240.94		+12.45	—
Premier Life				
1 Rue Emile Bian, Luxembourg		Tlx 2809 Tel 4050751		
Davenport Cautious £ Fd	£1.24	1.34	—	—
[illegible] £ Ports	£1.07	1.13	—	—
[illegible] $ Ports	$1.00	1.06	—	—
August Stkmkt	£15.31		—	—
August Equity Gth	£18.20		—	—
OFS/Jersey Cash Mgd Gr £	£2.41	2.42	—	—
OFS/Jersey Cash Mgd Gr $	$2.05	2.86	—	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Selling Price	Buying Price	+ or -	Yield Gross
Alnista Capital Management Ltd				
Alnista Growth Fund and Unit Trust				
Class A	$97.05	100.05	—	—
Class B	$97.05	100.05	—	—
Alpha Fund Management Ltd				
Alpha Europe Sep 30	Ecu264.08		—	—
Alpha Futures Sep 30	$226.21		—	—
Alpha Global Sep 30	$988.19		—	—
Alpha Atlas Oct 9	$147.71		—	—
Alpha Atlas Tran Class Aug 31	$113.75		—	—
Alpha Hedge Class A Aug 31	$535.56		—	—
Alpha Hedge Class B Aug 31	$124.24		—	—
Alpha Hedge Class C Aug 31	$138.70		—	—
Alpha Latin Am Aug 31	$387.48		—	—
Alpha Pacific Sep 30	$337.56		—	—
Alpha Short Aug 31	$50.88		—	—
Alpha Tiltdale Sep 30	$220.58		—	—
A Worthington Sep 30	$199.86		—	—
[illegible]	$96.87		—	—
[illegible]	$110.36		—	—
[illegible]	$103.58		—	—
[illegible]	Ecu184.41		—	—
[illegible]	$117.87		—	—
[illegible]			—	—
[illegible]	$76.28		—	—
Delmo Emerging Mkts Aug 31	$176.50		—	—
Globalvest Value (B) Jul 31	$133.16		—	—
[illegible] Aug 31	$111.96		—	—
[illegible] Jul 31	$120.62		—	—
[illegible]	$92.40		—	—
[illegible] Aug 31	$84.70		—	—
The Peseta Fund Ltd Sep 30	$137.43		—	—
Sage International Aug 31	$119.48		—	—
[illegible]	$123.62		—	—
[illegible]	$117.85		—	—
India Performance Sep 30	$96.25		—	—
High Yield Currency Class	$147.71		—	—
Aravis Capital Advisers LLC				
Aravis Clipper Ltd	$112.40		—	—
Arc Investment Company Ltd				
Rainbow	$514.49		—	—
Rainbow	SFr516.82		—	—

For Arbitrage Mgmt Ltd see Stephen Bonas Partners

For Artemis see Bermuda Regulated

Arnhold and S. Bleichroeder, Inc

	Selling Price	Buying Price	+ or -	Yield Gross
Aetos Corporation–Class A	$10178.00		—	—
Agilis International Fd Ltd–Class A	$940.35		—	—
DEF Associates N.V. – Class A	$15031.24		—	—
[illegible]	[illegible]		—	—

[illegible]

The Financial Times plans to publish a Survey on

Investing in Pakistan

on Monday, December 16

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[illegible]

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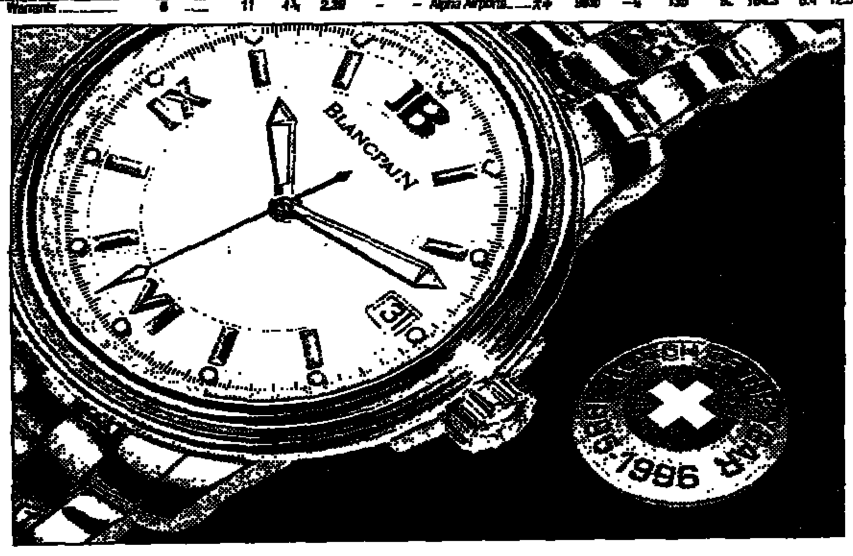

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind	g	£21½xd	-⅜	*£34¼	£21½	1,724	3.5	Φ
Barlow	♣T	58½	-¼	£10¾	£5⅝	1,218	2.1	-
Gold Flds Prop R		133½	-	170	120	13.7	6.2	10.8
NK Props		62	-2	85	50	2.49	14.2	-
SASOL	♥	645	-	710	475	3,777	1.7	-
SA Brews		£18⅝	-⅛	£26¼	£16¼	4,951	2.1	Φ
Standard Bank		£25½	-⅜	£32½	£22¾	3,820	1.4	22.3
Tiger Oats	†	790	-	1278	770	1,188	2.0	16.7
Tongaat-Hulett		770xd	-	1247	735	728.8	2.3	Φ

WATER

INVESTMENT COMPANIES

PROPERTY - Cont.

SUPPORT SERVICES - Cont.

AIM

OIL, INTEGRATED

OTHER FINANCIAL

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PAPER, PACKAGING & PRINTING

TELECOMMUNICATIONS

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to *yields and P/E ratios. Dividends and Dividend* covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR "Headline Earnings" formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated *Net Asset Values (NAVs) are shown for Investment Trusts,* in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants *exercised if dilution occurs.*

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- ✱ USM: not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on *annualised dividend*
b Figures based on prospectus or other official estimates.
g *Assumed dividend* yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
*z Dividend yield inc*ludes a special payment

F Yield based on *prospectus or other* official estimates for 1996-97.
G Assumed yield after *pending scrip and/or* rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
P Dividend is paid in whole or part as a

FID (Foreign Income Dividend)
R Forecast annualise yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue.
xr ex rights;
xa ex all;
xi ex capital distribution.

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LONDON STOCK EXCHANGE

New high for Footsie but small caps falter

MARKET REPORT

By Philip Coggan, Markets Editor

A late pick-up on Wall Street helped the FTSE 100 index to close at an all-time high. But the buying was narrowly based, with the stock market suffering from the general feeling of lassitude that seems typical of recent Mondays.

While Footsie leapt 20 to close at 4,073.1, a fraction off its new all-time intraday high of 4,073.2 recorded just before the close, smaller company stocks fared much less well. The FTSE 250 index dropped 0.7 to 4,449.4, while the SmallCap index fell 0.4 to 2,193.3.

Analysts normally believe that a rally which includes the broad market is more soundly based than one which just concentrates on the leading stocks.

The focus on the leaders was understandable, however, in the light of the rekindling of take-over talk about two of the City's favourite targets: Pearson, the owner of the Financial Times, and Zeneca, the pharmaceuticals group. BSkyB, Pearson's supposed predator, issued a denial.

London received an early lift from Wall Street's record close on Friday, when the Dow Jones Industrial Average approached the 6,100 mark. But after opening strongly and recording what was then an all-time intraday high of 4,065.1 at 9am, Footsie drifted off, spending most of the day in a narrow trading range of nine points.

In the absence of substantial economic news, there was little to guide investors. The equity market received little support from gilts, ahead of today's auction – the benchmark 10-year issue dropped around three ticks on the day – or from sterling, which lost some of its recent gains.

It was only late in the day, when the Dow recovered from a sluggish start to bound ahead – it was 22 points higher at noon New York time – that Footsie perked up. Other European markets in Denmark, Spain, Sweden and Turkey also recorded all-time highs.

The same factors which have been pushing the market higher for the last few weeks seemed to be fuelling yesterday's rise. Mr Philip Isherwood, UK strategist at Kleinwort Benson, says: "The news from the corporate sector is broadly sound, it doesn't look as if the world is going to end in May, after the election, and liquidity is healthy. It is hard to see where the sellers are." Mr Isherwood is still looking for Footsie to reach 4,200 this year.

Mr Robert Buckland, UK strategist at HSBC James Capel, says: "The market is fairly valued and cash is an underperforming asset, both for investors and for corporates who have been getting rid of it through takeovers, share buy-backs and special dividends. Meanwhile, there is the real potential for the UK corporate sector to do what the US has done in recent years – continually confound the bears with its profits growth."

As usual, activity on Monday was subdued, with only 613.1m shares traded by the 6pm count, of which 56 per cent was in non-Footsie stocks. The value of retail business on Friday was £1.63bn.

Indices and ratios

FTSE 100	4073.1	+20.0	FT 30	2870.1	+4.9
FTSE 250	4449.4	-0.7	FTSE Non-Fins p/e	18.36	18.29
FTSE 350	2022.1	+7.8	FTSE100 Fut Dec	4101.0	+21.0
FTSE All-Share	1994.54	+7.09	10 yr Gilt yield	7.59	7.58
FTSE All-Share yield	3.72	3.73	Long gilt/equity yld ratio	2.14	2.13

Best performing sectors

1 Telecommunications +1.3
2 Oil Integrated +1.2
3 Mineral Extraction +1.0
4 Pharmaceuticals +0.9
5 Electricity +0.8

Worst performing sectors

1 Tobacco -1.6
2 Diversified Inds -1.4
3 Gas Distribution -1.0
4 Banks: Merchant -0.9
5 Insurance -0.7

Pearson up on bid talk

By Joel Kibazo and Lisa Wood

Pearson was the best performer in the FTSE 100, climbing 33½ to 730p on the back of a medley of media reports. These suggested both a large shake-up in its strategic direction under Mrs Marjorie Scardino, its new chief executive, who takes over in January, and a possible bid for the media conglomerate. Volume was 6.7m shares, its highest daily total this year.

Newspaper reports suggested that Mr Rupert Murdoch may renew his attempts to control Pearson, using the vehicle of his 40 per cent-owned BSkyB. A statement from Mr Sam Chisholm, BSkyB's chief executive, in which he denied such an intention, failed to dampen market speculation that Mr Murdoch was interested in aspects of Pearson.

Such speculation was perhaps fuelled by weekend press reports that Pearson, under its new management, was likely to consider sales of assets, including its TV operations.

Mr Jason Crisp, media analyst at SGST, said that, given the hunger for programmes because of the introduction of digital TV, he would not be surprised if BSkyB wanted to be at the top of the buyers' list should Pearson's TV interests be for sale.

Analysts were divided as to whether Pearson could justify its current share price. Kleinwort Benson, which said that the media reports highlighted the value of Pearson, reiterated its "buy" recommendation.

The substantial family holding in Pearson was a big obstacle to a hostile takeover, said analysts. But, should there be a hostile bid, they valued the group up to, and in excess of, 900p a share, which would value the group at around £5bn.

BSkyB rose 5½ to 696½p. UK oil giant BP sparkled as the market appreciated the value of a $2.5bn joint venture agreement with a Chinese company.

BP said yesterday it has signed an agreement in the form of a letter of intent with Shanghai Petrochemical to produce ethylene in China. The deal is the largest commitment BP in China and the shares rose 9 to 687½p on the news. Volume reached 5.5m by the close.

Mr John Toalster at SGST was among those welcoming news of the agreement. Reiterating his buy stance on the stock, he said: "This deal will give BP a powerful position in one of the fastest growing chemical markets in the world. It shows the kind of progress the company is making in its petrochemicals division."

Long-term bull Mr Jurjen Lunshof at Crédit Lyonnais Laing was also pleased by the deal and said: "This is another example of the strategy BP has been following over the last few years. The value is just beginning to come through."

In the rest of the sector, Burmah Castrol was friendless, which left the shares trailing 6 to 1100p. Premier Oil hardened 1¼ to 32½p following the news that its Australian bid target Discovery Petroleum has rejected Premier's bid.

Tobacco and financial services group BAT Industries came under pressure yesterday as the market continued to focus on a negative report from the US. Scientists said at the end of last week that they have discovered evidence suggesting a direct link between smoking and lung cancer.

The shares reversed initial gains on Friday following the news and they surrendered another 8½ to 422½p yesterday in trade of 7.1m.

One analyst said: "Whatever the outcome of any research, investors should reduce holdings on strength due to fragile sentiment towards tobacco."

Dealers suggested a further slide in the stock was prevented by an announcement that BAT subsidiary Brown & Williamson Tobacco had received US government approval to sell six former American Tobacco cigarette brands to Commonwealth Tobacco.

The poor sentiment in BAT failed to dampen enthusiasm for Imperial Tobacco. The shares gained 3¼ to 382½p in hefty trading of 9.2m.

There was profit-taking in Millennium & Copthorne after last week's gains. It fell 8½ to 345p.

Among banking stocks, National Westminster improved 12 to 721p, while Abbey National gave up 5 to 604½p, as ABN Amro Hoare Govett advised clients to switch out of the latter and into the former.

Abbey National is set to publish its third-quarter trading statement today and analysts at Hoare Govett expect the group will reveal a decline in retail margins.

There was solid investment demand for HSBC and the shares jumped 12½ to 1309p.

Brandon Hire, the equipment hire operation, fell 31 to 86½p after it told the City it may not meet expectations for 1996.

The profits warning provoked some analysts to revise their forecasts, with Mr Barrie Newton of Rowan Dartington reported to have cut his estimate from £2.6m to £2.15m.

Dixons, which rose 8 to 586½p, and Next, which climbed 18½ to 585p, were among a number of retail stocks which strengthened. Analysts had various theories for the movements, from the narrowing of the Labour lead in the opinion polls to the strength of sterling, although most said they knew no concrete reason.

A Dun & Bradstreet survey which showed most UK stores were expecting increased sales and stable prices in the run-up to Christmas might have added a couple of pence to some stocks, said one analyst.

Burton strengthened 3½ to 154½p following the announcement of its £19m acquisition of Hemingway, which trades as Racing Green, a mail order and retail business specialising in casual wear.

Shares in United Assurance eased to 441p as they went ex-dividend. NatWest Securities, the group's broker, yesterday urged investors to "add" to holdings, saying: "The prices of Refuge and United Friendly have risen in the two weeks leading up to the merger, but United Assurance is still cheaply valued on both yield and embedded value grounds." It suggested fair value for shares of 470p.

Sleepy Kids fell 6½ to 20p after it confirmed reports of uncertainties in the US regarding the success on television of Budgie, the little helicopter, which could adversely affect profits.

Leather goods group Strong & Fisher gained 8 to 20½p, as foods company Hillsdown said it would mop up the remaining 9.8 per cent of the company it does not own.

FT 30 INDEX

	Oct 21	Oct 18	Oct 17	Oct 16	Oct 15	Yr ago	*High	*Low
FT 30	2870.1	2865.2	2864.4	2855.6	2866.1	2579.5	2895.2	2669.8
Ord. div. yield	3.95	3.96	3.97	3.98	3.99	4.10	4.22	3.78
P/E ratio net	17.46	17.41	17.38	17.30	17.30	15.66	17.46	15.80
P/E ratio nil	17.30	17.24	17.22	17.14	17.14	15.47	17.30	15.71

FT 30 since compilation: high 2895.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2868.3	2871.9	2866.1	2866.5	2867.1	2868.9	2867.9	2864.6	2868.4	2872.2	2863.2

	Oct 21	Oct 18	Oct 17	Oct 16	Oct 15	Yr ago
SEAQ bargains	41,615	39,107	37,499	38,856	43,234	28,554
Equity turnover (£m)†	-	1629.5	1592.7	1598.4	1588.6	1397.4
Equity bargains†	-	33,537	32,996	34,299	38,315	32,658
Shares traded (mil)†	-	515.5	523.0	526.1	581.7	570.4

†Excluding intra-market business and overseas turnover.

	Oct 21	Oct 18	Oct 17	Oct 16	Oct 15	Yr ago	*High	*Low
FTSE AIM	1011.70	1010.10	1006.80	1005.60	1007.10	-	1140.40	965.70

 *For 1996.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	526	Total Highs	127	Total contracts	55,795
Total Falls	543	Total Lows	75	Calls	21,999
Same	1,550			Puts	33,796

Oct 21 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	4067.0	4101.0	+25.0	4107.0	4060.0	9033	63578
Mar	4097.0	4114.0	+25.0	4097.0	4097.0	34	450
Jun	-	4130.0	+29.0	-	-	-	326

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	-	4467.0	-15.0	-	-	0	3571

■ FTSE 100 INDEX OPTION (LIFFE) (*4072) £10 per full index point

	3900 C	3900 P	3950 C	3950 P	4000 C	4000 P	4050 C	4050 P	4100 C	4100 P	4150 C	4150 P	4200 C	4200 P	4250 C	4250 P
Nov	198	5	147½	9½	105½	17	69½	30½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	222½	20	179½	27½	138½	38	103	54	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	238½	31	198	41½	159	54	126½	69	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	254½	44	215½	57	180½	71	146	88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun†	399½	93			246	126½			[illegible]	[illegible]			[illegible]	[illegible]		

Calls 7,141 Puts 17,473

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	3925 C	3925 P	3975 C	3975 P	4025 C	4025 P	4075 C	4075 P	4125 C	4125 P	4175 C	4175 P	4225 C	4225 P	4275 C	4275 P
Nov	166	7½	124	13	83	21½	48½	37	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	196½	22	156	31	119	45½	86½	60½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	217½	32½	178½	43½	142½	57½	110½	75½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	247	63			177½	91			[illegible]	[illegible]			[illegible]	[illegible]		
Jun†	286½	99½			239½	129½			[illegible]	[illegible]			[illegible]	[illegible]		

Calls 8,279 Puts 12,258 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	1996 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§	F.P.	34.2	85½	66	†Airtech	75		-	-	-	-
§135	F.P.	47.1	162½	152½	Charles Taylor	161½		L4.2	0.8	3.3	51.3
-	F.P.	27.6	90½	77½	Cruden Bay	79½	-1	-	-	-	-
150	F.P.	29.5	169½	160½	Deltron Electrn	160½		W2.75	2.9	2.1	15.2
§146	F.P.	37.1	246	148	†Elec Retail Sys	178½	-3	-	-	-	-
§	F.P.	11.6	316	310	†Eurasia Mining	312½		-	-	-	-
§60	F.P.	24.9	92½	90½	†Fitness First	90½		bW-	-	-	28.3
*	F.P.	203.6	£42½	£25⅝	GT Chile Growth	£25⅝		-	-	-	-
100	F.P.	106.5	113½	106½	†Geo Inter Med	106½		-	-	-	-
§12.5	F.P.	1.83	15¾	13¼	†Grosvenor Land	15¾		-	-	-	-
§	F.P.	-	127	111½	Hartstone 8%	121	+½	-	-	-	-
*	F.P.	1,992	429	376½	Imperial Tobacco	382½	+3½	W20.0	2.5	6.5	7.7
§	F.P.	55.8	177	167½	Interoute Telecm	167½		-	-	-	-
§140	F.P.	33.1	160½	145½	Lavendon	155½	-1	R3.4	3.8	2.7	12.1
*	F.P.	43.2	131	128	Lomond Undrwrtng	131	+1	-	-	-	-
§10	F.P.	4.32	12¼	11¼	†Mears Group	12		K0.2	-	2.1	-
-	F.P.	1,046	£16⅞	£14¼	Millennium Chem	£14⅛	-⅛	Q60c	-	2.7	-
§154	F.P.	19.6	211½	187½	Oriental Rest	205½		-	-	-	23.2
66	F.P.	12.8	106	82½	†Personal No Co	82½	-2	-	-	-	-
§65	F.P.	11.9	70½	67½	†Polydoc	69½		-	-	-	-
-	F.P.	6.70	139½	132½	Shelbane	139½		R4.0	2.1	3.6	11.4
170	F.P.	1,038	177	168	Thistle Hotels	171½	+½	R3.7	2.5	2.7	18.4
§250	F.P.	194.3	302	282½	Ultra Electn	289	-1	RW6.5	2.3	2.7	20.3
§	F.P.	109.9	62	52	†Victory Corp	58		-	-	-	-
§	F.P.	9.54	7¾	6¼	†Weeks Group	7¼		0.09	4.8	1.6	16.7

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Oct 18	% chg on day	Oct 17	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	1903.73	-0.5	1913.91	1837.13	1.54	-	2236.73	1722.83
■ Regional Indices								
Africa (13)	2428.37	-1.2	2458.69	2513.41	3.27	34.38	3553.85	2272.74
Australasia (6)	2216.31	+2.9	2154.02	2275.84	2.52	21.54	2927.34	2035.75
North America (12)	1653.38	-0.8	1666.64	1581.36	0.78	82.70	2186.39	1488.94

 Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Oct 21	Day's chge%	Oct 18	Oct 17	Oct 16	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4073.1	+0.5	4053.1	4042.1	4024.4	3531.5	3.84	2.05	15.91	152.31	1694.88
FTSE 250	4449.4	.....	4450.1	4444.1	4438.2	3812.5	3.50	1.50	23.86	157.40	1813.64
FTSE 250 ex IT	4483.3	.....	4482.9	4477.2	4471.3	3933.3	3.60	1.52	22.82	165.66	1831.57
FTSE 350	2022.1	+0.4	2014.3	2009.5	2002.0	1758.6	3.77	1.94	17.12	74.79	1719.04
FTSE 350 Higher Yield	1911.0	+0.3	1906.1	1902.8	1898.5	1754.1	5.09	1.82	13.48	96.64	1369.43
FTSE 350 Lower Yield	2140.4	+0.5	2129.8	2123.4	2112.6	1767.8	2.60	2.14	22.47	53.49	1496.79
FTSE SmallCap	2193.32	.....	2193.70	2192.06	2188.95	1958.38	3.10	1.58	25.55	59.80	1823.02
FTSE SmallCap ex IT	2191.37	.....	2190.94	2189.44	2185.97	1945.66	3.30	1.65	22.96	63.16	1834.39
FTSE All-Share	1994.54	+0.4	1987.45	1982.94	1975.89	1737.81	3.72	1.92	17.56	72.31	1721.34

■ FTSE Actuaries Industry Sectors

	Oct 21	Day's chge%	Oct 18	Oct 17	Oct 16	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3985.34	+1.0	3946.15	3938.65	3922.98	2903.04	3.48	1.63	22.06	128.05	1739.93
12 Extractive Industries(6)	4248.49	+0.3	4237.42	4228.49	4248.29	4124.29	3.82	2.66	12.30	162.00	1266.26
15 Oil, Integrated(3)	4125.68	+1.2	4077.15	4076.10	4055.02	2663.39	3.62	1.45	23.83	135.18	1849.68
16 Oil Exploration & Prod(15)	2990.64	+0.3	2981.86	2932.68	2916.33	1917.06	1.73	1.71	42.23	52.04	1812.13
20 GEN INDUSTRIALS(276)	2087.71	-0.2	2091.04	2091.80	2090.49	1941.06	4.09	1.74	17.57	73.85	1161.57
21 Building & Construction(34)	1215.53	-0.2	1218.02	1216.68	1217.05	900.08	3.47	1.48	24.29	38.99	1035.27
22 Building Matls & Merchs(29)	2005.60	-0.1	2008.54	2011.33	2014.85	1684.70	3.84	1.58	21.32	62.89	1028.46
23 Chemicals(25)	2449.54	-0.2	2454.55	2464.08	2468.86	2438.80	4.14	1.52	19.81	86.14	1180.77
24 Diversified Industrials(19)	1494.01	-1.4	1515.44	1524.13	1522.82	1738.56	6.80	1.62	11.36	89.36	861.31
25 Electronic & Elect Equip(37)	2353.26	.....	2352.47	2363.92	2370.22	2128.19	3.35	1.46	25.55	63.97	1240.95
26 Engineering(71)	2678.41	+0.4	2666.81	2657.43	2648.81	2149.92	3.05	2.46	16.62	69.22	1648.97
27 Engineering, Vehicles(14)	3306.26	+0.6	3286.46	3263.27	3242.31	2529.51	3.26	1.72	22.29	98.84	1742.88
28 Paper, Pckg & Printing(28)	2635.50	.....	2635.78	2625.42	2625.32	2885.36	3.98	1.82	17.36	90.69	1116.16
29 Textiles & Apparel(19)	1197.05	-0.1	1198.22	1197.30	1191.96	1541.29	5.96	1.16	18.00	50.38	743.88
30 CONSUMER GOODS(82)	3817.21	+0.4	3803.20	3799.85	3778.23	3488.65	3.74	1.94	17.18	128.77	1436.49
32 Alcoholic Beverages(8)	2860.88	+0.8	2838.47	2828.04	2829.70	2919.95	4.44	1.63	17.31	104.05	1050.72
33 Food Producers(25)	2621.49	-0.1	2624.85	2626.80	2616.28	2515.48	4.01	1.84	16.90	85.25	1202.55
34 Household Goods(15)	2729.09	-0.5	2741.73	2729.27	2712.13	2833.09	3.73	2.25	14.85	95.47	1062.44
36 Health Care(18)	2037.90	+0.1	2035.41	2047.99	2052.37	1979.72	2.90	1.95	22.14	54.40	1256.65
37 Pharmaceuticals(14)	5972.99	+0.9	5920.64	5897.58	5824.74	4743.14	2.82	2.05	21.84	182.93	2060.56
38 Tobacco(2)	3591.53	-1.6	3649.90	3701.57	3743.42	4481.10	7.22	2.11	8.21	262.07	924.88
40 SERVICES(255)	2667.78	+0.4	2656.01	2642.39	2627.59	2164.43	2.78	1.97	22.84	73.18	1408.21
41 Distributors(30)	2884.39	+0.6	2866.16	2865.41	2864.69	2678.55	2.96	2.02	20.90	79.18	1079.87
42 Leisure & Hotels(25)	3241.78	.....	3240.94	3247.88	3248.98	2522.35	2.89	2.03	22.86	173.06	1762.93
43 Media(45)	4624.35	+0.7	4593.03	4550.93	4528.02	3389.57	1.98	2.05	30.93	91.70	1692.52
44 Retailers, Food(15)	2032.43	+0.7	2018.76	2006.19	1998.53	2008.81	3.86	2.36	13.74	68.74	1314.27
45 Retailers, General(45)	2191.18	+0.7	2176.24	2165.98	2156.19	1767.35	2.98	2.08	20.53	62.71	1273.30
47 Breweries, Pubs & Rest.(22)	3158.62	+0.1	3154.90	3144.63	3095.85	2611.79	3.28	1.98	19.28	68.29	1531.81
48 Support Services(50)	2638.53	.....	2637.57	2641.01	2626.30	1853.85	1.86	2.26	29.74	47.97	1694.43
49 Transport(23)	2615.94	.....	2616.81	2593.84	2574.66	2172.13	3.62	1.12	30.91	92.14	1111.45
60 UTILITIES(33)	2251.72	+0.7	2235.19	2235.98	2239.30	2519.09	5.75	1.76	12.38	167.56	1006.64
62 Electricity(12)	2315.91	+0.8	2296.59	2301.25	2306.40	2811.38	7.11	2.22	7.93	429.17	1254.05
64 Gas Distribution(2)	1256.42	-1.0	1269.22	1285.22	1304.42	1680.72	9.54	0.83	15.72	119.71	687.48
66 Telecommunications(8)	1937.56	+1.3	1912.34	1908.68	1902.84	2091.74	4.16	1.53	19.64	50.32	899.96
68 Water(11)	2124.13	-0.3	2130.67	2124.50	2136.17	2078.68	6.48	2.31	8.36	94.85	1201.34
69 NON-FINANCIALS(670)	2089.71	+0.4	2081.36	2077.36	2070.17	1845.41	3.72	1.83	18.38	76.90	1618.94
70 FINANCIALS(103)	3338.87	+0.3	3329.49	3316.70	3302.00	2713.56	3.96	2.38	13.33	123.91	1470.22
71 Banks, Retail(8)	4825.47	+0.5	4800.71	4773.19	4743.05	3782.79	3.76	2.71	12.25	175.98	1613.17
72 Banks, Merchant(6)	3793.95	-0.9	3827.88	3848.49	3868.94	3631.72	2.75	2.82	16.16	91.01	1219.80
73 Insurance(21)	1556.55	-0.7	1567.46	1565.66	1560.36	1391.07	5.40	2.27	10.19	79.70	1205.15
74 Life Assurance(7)	3886.09	+0.7	3858.10	3846.08	3835.10	3157.34	4.00	1.78	17.51	151.01	1652.23
77 Other Financial(20)	2682.82	-0.2	2688.70	2692.37	2690.17	2409.75	3.98	1.77	17.78	88.27	1565.83
79 Property(41)	1656.69	+0.1	1655.50	1653.46	1653.31	1352.59	3.87	1.26	25.83	47.56	1036.35
80 INVESTMENT TRUSTS(127)	3214.06	-0.2	3221.28	3216.15	3212.74	2921.10	2.22	1.12	50.56	60.09	1133.60
89 FTSE All-Share(900)	1994.54	+0.4	1987.45	1982.94	1975.89	1737.81	3.72	1.92	17.56	72.31	1721.34
FTSE Fledgling	1239.32	.....	1238.80	1237.71	1237.79	1077.25	2.80	0.68	65.30	29.86	1312.24
FTSE Fledgling ex IT	1250.19	+0.1	1249.17	1247.96	1248.03	1076.46	3.00	0.61	68.86	32.67	1325.55

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	4059.4	4065.1	4058.2	4059.9	4060.7	4062.7	4061.8	4059.0	4072.4	4073.2	4056.4
FTSE 250	4449.1	4448.8	4447.2	4447.3	4446.6	4446.7	4447.4	4447.0	4448.8	4449.5	4446.4
FTSE 350	2016.7	2018.9	2016.0	2016.7	2017.0	2017.8	2017.5	2016.4	2021.8	2022.1	2015.6

Time of FTSE 100 Day's high: 4:26 PM Day's low: 9:38 AM. FTSE 100 1996 High: 4073.1 (21/10/96) Low: 3632.3 (16/07/96).

■ FTSE 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1193.4	1193.4	1193.4	1193.4	1193.0	1193.2	1193.2	1192.0	1191.7	1191.7	1193.3	-1.6
Pharmaceuticls	5855.5	5861.5	5844.0	5850.5	5850.6	5858.5	5859.0	5853.8	5903.3	5901.5	5850.9	+50.6
Water	2115.4	2114.9	2114.3	2113.1	2111.3	2110.7	2110.9	2108.6	2108.7	2108.7	2115.4	-6.7
Banks, Retail	4866.1	4878.5	4887.0	4872.1	4877.8	4878.1	4876.9	4872.3	4889.9	4887.1	4862.0	+25.1

For further information on the FTSE Actuaries Share Indices please contact FTSE International on 0171 448 1810. The FTSE Actuaries Share Indices are calculated in accordance with a standard set of ground rules established by FTSE International in conjunction with the Faculty of Actuaries and the Institute of Actuaries. "FT-SE" and "Footsie" are trade marks of the London Stock Exchange and The Financial Times and are used by FTSE International under licence. † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative. DELETION: Utd Assurance (N.R. Cap) (74) & (FTSE 250). Fairbairn Euro Smaller (Fledgling). INSERT: CRT (FTSE 250) (18/10/96).

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FTSE 100 index constituent.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Half hour period ending	Pool purchase price £/MWh	Pool selling price £/MWh
0030	[illegible]	14.15
0100	[illegible]	14.15
0130	[illegible]	14.15
0200	[illegible]	14.15
0230	[illegible]	14.15
0300	[illegible]	9.03
0330	[illegible]	9.03
0400	[illegible]	9.03
0430	[illegible]	9.03
0500	[illegible]	9.03
0530	[illegible]	13.86
0600	[illegible]	9.03
0630	[illegible]	13.86
0700	[illegible]	15.76
0730	[illegible]	20.15
0800	[illegible]	36.53
0830	[illegible]	50.61
0900	[illegible]	67.81
0930	[illegible]	76.66
1000	[illegible]	82.51
1030	[illegible]	77.69
1100	[illegible]	78.51
1130	[illegible]	79.50
1200	[illegible]	83.73
1230	[illegible]	76.05
1300	[illegible]	64.23
1330	[illegible]	45.42
1400	[illegible]	39.23
1430	[illegible]	36.08
1500	[illegible]	35.91
1530	[illegible]	39.97
1600	[illegible]	54.81
1630	[illegible]	83.75
1700	[illegible]	107.49
1730	[illegible]	99.20
1800	[illegible]	65.27
1830	[illegible]	46.39
1900	[illegible]	63.88
1930	[illegible]	94.07
2000	[illegible]	99.98
2030	[illegible]	77.40
2100	[illegible]	46.40
2130	[illegible]	24.01
2200	[illegible]	17.21
2230	[illegible]	19.28
2300	[illegible]	18.19
2330	[illegible]	15.55
2400	[illegible]	14.51

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

US INDICES

Dow Jones	Oct 18	Oct 17	Oct 16	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	6094.23	6059.20	6020.81	6094.23 (18/10)	5032.94 (10/1)	6094.23 (18/10/96)	41.22 (8/7/32)
Home Bonds	102.89	102.87	102.64	109.09 (14/2)	100.99 (15/7)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2116.42	2101.47	2097.07	2296.28 (22/5)	1882.71 (18/1)	2296.28 (22/5/96)	13.23 (8/7/32)
Utilities	224.57	222.89	221.35	234.09 (12/2)	204.86 (30/7)	256.48 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 6119.57 (6101.31) Low 6011.49 (5994.72) (Theoretical♦)
Day's high 6094.97 (6085.80) Low 6040.19 (6023.04) (Actual♦)

Standard and Poors	Oct 18	Oct 17	Oct 16	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	710.82	706.99	704.42	710.82 (18/10)	598.48 (10/1)	710.82 (18/10/96)	4.40 (1/6/32)
Industrials♥	839.55	835.40	833.48	839.55 (18/10)	702.07 (15/1)	839.55 (18/10/96)	3.52 (30/6/32)
Financial	75.54	74.91	74.15	75.54 (18/10)	59.67 (10/1)	75.54 (18/10/96)	7.13 (4/9/74)
NYSE Comp.	378.32	376.41	374.53	378.32 (18/10)	321.41 (10/1)	378.32 (18/10/96)	4.64 (25/4/42)
Amex Mkt Val	579.03	577.39	576.52	614.99 (22/5)	525.80 (16/7)	614.99 (22/5/96)	29.13 (9/12/74)
NASDAQ Cmp	1242.48	1241.97	1250.99	1258.10 (15/10)	988.57 (15/1)	1258.10 (15/10/96)	54.87 (3/10/74)

RATIOS

	Oct 18	Oct 11	Oct 4	Year ago
Dow Jones Ind. Div. Yield	2.12	2.16	2.15	2.42
	Oct 16	Oct 9	Oct 2	Year ago
S & P Ind. Div. yield	1.92	1.95	1.95	2.10
S & P Ind. P/E ratio	22.13	22.84	22.74	17.68

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Xerox	21,459,200	48⅞	−1⅛
WalMart	8,007,800	26⅛	+⅛
Philp Morris	8,007,000	92¼	−5⅛
PepsiCo	5,773,300	30⅛	+⅜
Guidant	5,840,100	42⅞	−1½
RJ Nabisco	4,580,400	26¾	−¾
AT&T	4,541,000	38⅝	+⅛
Pharm Upjhn	4,103,000	36⅛	+⅛
Jnsn & Jnsn	3,874,500	51⅛	−¼
M Marietta	3,591,200	21	+½

TRADING ACTIVITY

Volume (million)	Oct 18	Oct 17	Oct 16
New York SE	467.939	478.549	441.396
Amex	18.644	17.902	14.894
NASDAQ	573.403	592.304	581.334
NYSE			
Issues Traded	3,227	3,250	3,238
Rises	1,340	1,412	1,132
Falls	1,038	949	1,217
Unchanged	849	889	889
New Highs	191	197	123
New Lows	28	23	40

S&P 500

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	715.70	716.50	+0.65	716.60	714.40	61,990	185,565
Mar	721.30	722.80	+0.50	722.90	721.00	280	5,044

Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	21610.0	21310.0	−390.0	21680.0	21300.0	20,842	204,644
Mar	21670.0	21670.0	−180.0	21670.0	21670.0	20	12,081

Open interest figures for previous day.

‡ Industrial, plus Utilities, Financial and Transportation. ● Excluding bonds. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Prices in US $.

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TOKYO - MOST ACTIVE STOCKS: Monday, October 21, 1996

	Stocks Traded	Closing Prices	Change on day
Shinko Electric	4.6m	588	+1
NKK Corp	4.1m	288	-2
Fuji Heavy Inds	4.1m	543	-2
Sumitomo Seika	4.1m	860	-32
NEC Corp	3.3m	1240	-30
Sumitomo Tr & Bk	2.8m	1280	-50
Keisei Elect Ry	2.5m	1150	-20
Takashima & Co	2.4m	632	+40
Ishihara Hvy Inds	2.3m	538	-4
Nippon Steel Cp	2.2m	342	-6

NEW YORK STOCK EXCHANGE PRICES

4 pm close October 21

1996 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chg'e Prev. Close
25½	17⅞	AAR	0.48	1.9	23	46	25¾	25¼	25¾	+½
46⅛	36⅛	AMP	1.00	2.6	18	2163	39¼	38½	38⅝	-⅜
97½	68	AMR			16	7178	81⅝	80⅝	80¾	+¾
50½	37⅜	ASA	2.00	5.1	25	638	39½	39	39¼	+¼
53½	38⅛	AbbottL x	0.96	1.8	22	7014	52⅞	51⅞	52	-⅞
17⅛	12¼	Abitibi Pr	0.40	3.1	6	272	12¾	12⅝	12¾	
20¼	13½	ABM Ind x	0.25	2.0	18	9	18⅛	17⅞	17⅞	-¼
21	13⅞	Acptncgin			41	35	20⅛	19⅞	19⅞	-¼
57¼	37¾	ACE Ltd	0.56	1.0	13	752	54⅝	53½	53¾	-⅜
10⅛	9⅛	ACM Gvt In	0.48	4.8	8	195	u10⅛	10	10	
7⅞	6⅝	ACM GvOpp	0.57	8.0		435	7⅛	7	7⅛	
9⅝	8½	ACM Man	0.90	9.5		224	9½	9⅜	9½	
13⅞	6⅛	Acme Elect	0.32	3.8	141	457	9⅛	8⅞	8½	
18	13⅞	Acme Mkts			11	39	17¾	17½	17⅝	+¼
33¾	27⅞	Acordia	0.72	2.4	17	4	30¼	30⅛	30¼	+⅛
21⅜	12	Acuson			53	1617	18¾	18¼	18¾	+⅝
20½	17⅞	Adams Expr	0.48	2.4	1	277	u20⅜	20⅛	20⅛	-¼
21¼	10¼	AdaMic			18	8561	17¾	17¼	17¾	+⅜
11⅛	8½	ACrest Grp	0.16	1.7	7	71	9½	9½	9½	-⅛
26⅛	9⅛	Advo Inc	0.10	0.7	75	195	13⅝	13⅜	13½	
53⅛	41⅛	Aegon	1.45	2.7	16	38	u53⅛	52⅝	52⅞	+⅝
6¼	3½	Aerfix			2	144	4⅜	4⅛	4⅛	
70⅞	57⅝	Aetna	0.80	1.2	7	10598	64⅝	64	64⅜	+¼
38½	28¼	Aflac	0.40	1.1	15	1428	38	37	37¼	
21⅛	17⅛	AGL Res	1.06	5.0	17	374	21	20¾	21	
30⅞	21¼	Ahmson	0.88	3.0	52	5502	29¾	29⅛	29⅝	+¼
62½	50⅜	AirPrG	1.10	1.8	16	2177	62	61½	62	+⅜
28⅜	19⅞	Airbne Frt	0.30	1.4	14	146	21¼	21	21⅛	-⅛
25½	15½	Airgas Inc			36	695	23⅛	22⅝	22⅞	-⅜
18⅞	13¼	Airlease	1.60	12.1	9	38	15	14⅞	14⅞	-⅛
33⅝	25	AirTch			73	6502	26	25½	25⅞	-⅛
30¾	15⅞	Alaska Air	0.20	1.0	7	643	21	20⅝	20⅞	+⅛
22⅞	17¼	Albany Int	0.40	1.6	15	100	u22⅞	22½	22¾	+⅜
21½	14⅜	Albrml	0.28	1.8	5	220	16⅜	16	16	-⅞

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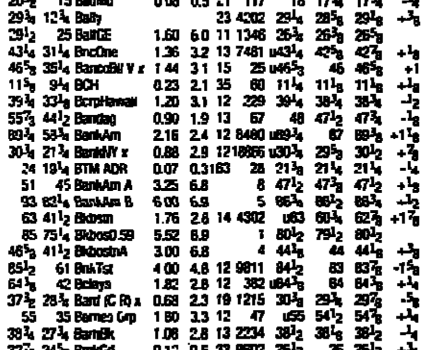

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HEWLETT PACKARD

Continued on next page

NYSE PRICES

4 pm close October 21

Continued from previous page

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Zurn Ind	0.40	22	377	u26	26¼	25½	+¼
Zweig Fund x	1.08		349	11	10⅞	10⅞	-⅛
Zweig Totl x	0.84		475	8½	8⅜	8½	+⅛

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

u-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

Dealings suspended.

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AMEX PRICES

4 pm close October 21

NASDAQ NATIONAL MARKET

4 pm close October 21

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
ACC Corp	0.125	15	1026	42½	41	41¼	-1¼
Acclaim E		5	2771	6⅝	d6¼	6½	+⅛
Acsom Cp		53	983	41¾	41	41¾	+½
Adaptech		36	12649	64⅞	62	63¼	+¾
ADC Tele		52	6189	64¾	62½	64	+1⅝
Addington		19	709	25¾	24¼	24⅞	+⅜
AdeccoADR	0.16	31	z100	35½	35½	35½	
Adobe Sys	0.20	36	6115	37¾	35¼	35¾	-¾
Adv Logic		12	464	9⅛	8⅝	8⅝	-¼
Adv Polym		12	603	8⅜	7⅞	7⅞	-½
AdvTchLab		88	2074	29½	28½	29¼	+⅛
Advanta B	0.43	11	6296	46	43⅜	43¾	-2
Advanta A	0.36	12	8430	47¼	45½	45⅝	-1⅞
AgricoEa	0.10	40	49	14⅞	14⅝	14⅝	
AirExpr	0.24	18	907	31½	30¾	30⅞	-½
Akzo ADR	1.75	12	425	u65⅜	65	65	+1⅛
AlexBld	0.88	17	214	24½	24⅛	24⅛	
AlliCom	0.60	19	206	16½	15⅞	15⅞	
Allen Org	0.52	13	2	38¾	38¾	38¾	

Good profit news lifts US equities

AMERICAS

US shares were volatile during the morning, but mostly higher by early afternoon as the wave of corporate earnings reports released yesterday were mostly on target or ahead of analysts' expectations, *writes Lisa Bransten in New York.*

By 1pm, the Dow Jones Industrial Average was 15.65 stronger at 6,109.88 and the Standard & Poor's 500 had added 0.98, putting both of those indices on course to surpass Friday's record closes. The American Stock Exchange composite gained 0.33 at 579.36. Volume on the NYSE came to 236m shares.

Technology shares were also stronger. The Nasdaq composite, weighted toward that sector, rose 5.40 at 1,247.88. The Pacific stock exchange technology index added 0.2 per cent.

The Dow moved along with IBM, which reported modestly stronger than expected results before the market opened. In early trading it appeared that profit-takers would hold sway as the Dow component fell more than $3 and the key index by 14.91. Later, however, IBM recovered as executives painted an optimistic picture of industry-wide growth, and by early afternoon the shares were up $2⅝ at $133¼.

Results were also good for several other components of the Dow that reported earnings yesterday. All three of the oil producers in the Dow posted stronger than expected earnings leading to a strong gain at Texaco, $1⅞ at $105½, and modest gains at Chevron and Exxon, which rose $¼ at $67⅞ and $⅜ at $89⅜ respectively.

Meanwhile, Union Carbide slipped $⅝ at $43⅞ on earnings of $1.08 per share, 2 cents lower than the median of analysts' estimates, and Goodyear Tire & Rubber gained $1 at $46⅛ on profits of $1.09 per share, exactly in line with analysts' estimates.

RJR Nabisco added $¼ at $27 after reporting operating earnings one cent ahead of estimates. The shares were rebounding from the 6 per cent loss they suffered on Friday after scientists published a study that showed a direct link between smoking and lung cancer.

Xerox, which tumbled $9⅝ or 16 per cent on Friday after reporting disappointing earnings, continued to fall. In early trading it was $1⅛ lower at $47⅞.

TORONTO, which hit a closing high for the year on Friday, continued to move ahead. At noon, the composite index was up 19.69 at 5,512.29, broadly in line with the Dow.

Mining stocks led the upturn the sub-sector turning in a gain of 1.8 per cent. The better bullion price helped gold shares rise by 1.1 per cent. On the downside, transport shares were the main feature, off 0.6 per cent.

Among individual stocks, Alcan put on 50 cents to C$44.05 and Northern Telecom added 40 cents to C$82.10. Canadian Pacific managed to improve 10 cents to C$32.75.

Banks had a dull morning. Royal Bank of Canada shed 25 cents to C$42.75.

Caracas trails by 1.5%

CARACAS continued to suffer from profit-taking in spite of the strong start on Wall Street. By lunchtime, the IBC index was trailing almost 1.5 per cent. It stood at 5,676.21, down 81.65.

MEXICO CITY strove to hold Friday's gains, moving slightly lower in early trading. At noon, the IPC general index was off 4.58 at 3,315.06 with investors said to be waiting for the first of this week's third-quarter results.

SAO PAULO moved higher as a number of options expired. By the end of the morning, the IPC index was 437 better at 68,419.

Lagardère, Deutsche Telekom in limelight

EUROPE

Lagardère continued its lap of honour in PARIS, racking up a near 6 per cent gain as investors warmed to the Thomson acquisition.

The shares advanced FFr10.40 to FFr176.60 in good two-way volume, by far the day's strongest performance and up by more than 40 per cent over the past three sessions.

Lagardère, which puts out half-year results today, outbid Alcatel Alsthom in the French government's auction of the Thomson defence and electronics group. Alcatel retreated FFr6.30 to FFr458.80.

Otherwise, it was a day of narrow trading for the bourse with the CAC 40 index closing 5.01 off at 2,180.22.

Schneider fell FFr5.80 to FFr253.90 on a press report that a 40 per cent stake in the company's Spie Batignolles construction unit was to change hands.

News of big job cuts at Moulinex left the consumer products group FFr1.10 lower at FFr95. Among smaller stocks, Ingenico jumped FFr7.50 to FFr70.50 after the company said a planned US acquisition could eventually increase the value of the stock to FFr150.

FRANKFURT gave centre stage to Deutsche Telekom, which announced a price range of DM25 to DM30 for its forthcoming international public offering of 500m shares next month and which, in spite of analytical arguments for the lower end of the range, was traded at between DM37 and DM39 yesterday in the grey market, according to dealers.

In the meantime, the Dax index nodded to a decline in September's M3 growth rate, hit an all-time intraday high of 2,745.82, then subsided in the afternoon to close just 6.11 higher at an Ibis-indicated 2,733.67. Turnover was moderate at DM7.3bn.

Lufthansa came under pressure, dropping 63 pfg, or 3 per cent, to DM20.25 on concern over a possible wage increase ahead of today's scheduled third round of wage talks, coupled with strong competition in the airline sector.

AMSTERDAM traded narrowly with a strong performance from Royal Dutch Shell counterbalanced by visible weakness at Philips. At the close, the AEX index was down 0.32 at 592.43.

Philips came off more than 2 per cent ahead of third-quarter results on Thursday. The electronics giant, which put out a profits warning last week, fell Fl 1.50 to Fl 59.30. Polygram, its music offshoot, retreated Fl 2.00 to Fl 85.50.

Oil price strength bolstered Royal Dutch and the shares added Fl 2.80 to Fl 291.10. Akzo Nobel gained Fl 2.70 to Fl 224.50 after a leading broker was said to have upgraded its recommendation to buy. Talk that Heineken was set to acquire the Swedish brewer Pripps left the Dutch group Fl 1.70 higher at Fl 312.

ZURICH sat on its hands, waiting for today's nine-month figures from the Novartis partners, Ciba and Sandoz, and from ABB. In the interim, the SMI index broke down through the 3,800 level, closing 15.1 lower at 3,788.2, although dealers said that volume was low, with foreign investors largely absent.

Elektrowatt fell SFr6 to SFr484 after recent highs, following rumours that CS Holding might sell its stake in the company. Swissair, in an echo of Lufthansa's weakness in Frankfurt, lost SFr16 at SFr1,001 on worries over higher fuel prices and market uncertainty about the way cooperation with Delta and Air France might affect the Swiss carrier.

COPENHAGEN, too, had its Frankfurt echo, but in this case Tele Danmark sounded a positive note, climbing DKr9 to DKr301 on the slipstream of demand for shares in Deutsche Telekom. The KFX index ground its way to yet another all-time high, up 0.62 to 139.26 on the day, and by 22 per cent on the year so far.

STOCKHOLM and MADRID both registered new all-time highs, the Affärsvärlden General index putting on 8.5 at 2,198.6 and the Madrid General 2.40 at 383.22.

The Swedish market was led by the forestry sector, but Volvo B put on SKr3.50 at SKr140.50 as the carmaker declined to comment on Swedish media reports that it planned to sell its Pripps stake to a foreign brewery group.

Interest in Spanish stocks was generated by recent action in utilities, but the main price action came in banks, where Argentaria added Pta120 at Pta5,330.

OSLO saw Norsk Hydro regain ground lost early on and close just NKr1 lower at NKr305, but Kvaerner B, off NKr5 at NKr210, continued the decline which set in on Friday after the cancellation of an order for two chemical carriers. The total index fell 4.47 to 878.56.

MILAN showed little change, with the Comit index 2.30 higher at 627.08. Fiat gained L84 to L4,180. ENI retraced early gains on the first day of the offer period for the second tranche of shares being placed by the government. The stock ended off L88 at L7,410.

Emerging markets were mixed. BUDAPEST sank in the second successive correction to its series of all-time highs, the Bux index falling 60.85, or 1.6 per cent, to 3,646.60. WARSAW was talking about a rebound as the Wig index dropped 338.1, or 2.3 per cent, to 14,380.3. But ISTANBUL extended its latest strong uptrend with the composite index up 1,557.54, or 1.9 per cent, to a new all-time high of 83,300.96. Turnover here leapt to a record of TL28,880bn, from Friday's TL28,950bn, and compared to a previous high of TL26,800bn on March 4.

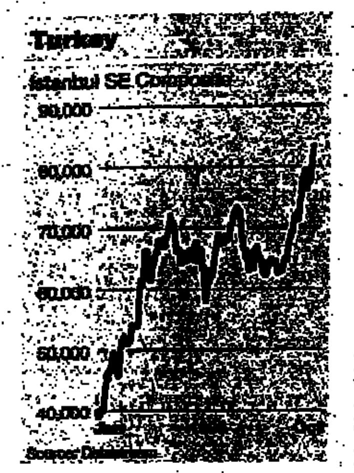
Written and edited by William Cochrane and Jeffrey Brown

FTSE Actuaries Share Indices

Oct 21	THE EUROPEAN SERIES							
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack100	1791.43	1790.61	1790.26	1790.57	1790.54	1790.41	1790.07	1789.46
FTSE Eurotrack200	1843.81	1843.33	1843.89	1843.18	1844.22	1843.23	1841.52	1840.58

	Oct 18	Oct 17	Oct 16	Oct 15	Oct 14
FTSE Eurotrack 100	1787.73	1771.25	1769.99	1774.44	1759.17
FTSE Eurotrack 200	1841.20	1828.76	1825.03	1831.79	1812.80

Base value 1000 (26/10/90); High/day: 100 - 1791.71; 200 - 1847.41 Low/day: 100 - 1788.99 200 - 1840.41. † Partial.



Tokyo shares move lower after election impasse

ASIA PACIFIC

Sunday's general election, which returned the conservative LDP to power but failed to deliver a simple majority, raised investor concerns about prospects for the party's promised economic stimulus package and left TOKYO down 1.4 per cent in thin trading, *writes Gwen Robinson.*

The Nikkei 225 average fell 309.35 to 21,302.95, just off its day's low of 21,299.56 and after a high of 21,606.91. Volume dwindled to an estimated 221m shares from Friday's 420m, in spite of earlier predictions that investors would be heartened by the conservative victory.

The Topix index of all first-section stocks fell 18.15 to 1,597.06, and the capital-weighted Nikkei 300 by 3.73 at 299.09. Declines led advances by 833 to 242 with 161 unchanged.

In London, the ISE/Nikkei 50 index rose 2.64 to 1,453.90.

Construction and housing stocks, which climbed steadily in the pre-election period on expectations that they would be prime beneficiaries of the LDP's promised Y5,000bn stimulus package, slumped on doubts raised by bureaucrats and LDP leaders about fresh government spending.

"It wasn't so much the election outcome, per se, but the ensuing comments that raised concerns in the market," said Ms Mineko Sasaki Smith, chief economist of CS First Boston (Japan). Mitsubishi Estate fell Y40 to Y1,490 and Mitsui Fudosan shed Y30 to Y1,470. Among general contractors, Shimizu fell Y20 to Y1,080 and Kajima lost Y30 to Y1,030.

The further climb of the dollar against the yen failed to boost export-oriented blue chips. High technology and electrical issues lost ground on profit-taking.

Pioneer Electronic dropped Y120 to Y2,310, Sony Y40 to Y7,020 and Hitachi Y20 to Y1,050. Toshiba slid Y19 to Y746 and NEC Y30 to Y1,240. Large-capital steels also fared poorly. Nippon Steel dropped Y6 to Y342, Kawasaki Y9 to Y374 and Kobe Y7 to Y282.

In Osaka, the OSE average was down 183.46 to 21,964.56 in volume of 12.2m shares.

Hong Kong and Bombay were closed for holidays.

SYDNEY closed higher in spite of profit-taking which erased early strong gains. The All Ordinaries index ended 8.2 ahead at 2,363.2.

Higher oil prices aided oil and gas stocks. BHP, heavily sold on Friday, rebounded, gaining 41 cents to A$17.45. CRA climbed 34 cents to A$19.84.

Coles Myer, the retailer which announced management changes last week, came off 7 cents to A$4.46. News Corp eased a cent to A$7.37 on the news that an Israeli offshoot had been raided by the local tax authorities.

Foster's Brewing dipped 3 cents to A$2.37 after Canadian unit Molson's announced it could re-examine a licensing deal with Coors Brewing of the US.

WELLINGTON gained ground, helped by another strong session for NZ Telecom which hit an all-time high. The 40 capital index closed up 6.7 at 2,367.78.

NZ Telecom added 10 cents to NZ$7.59. Air New Zealand fell 5 cents to NZ$2.75 after a profits warning.

SINGAPORE dropped a percentage point on foreign institutional selling and after weaker than expected September trade data, the Straits Times Industrial index closing 20.29 lower at 2,044.33.

Volume was healthy at 153.9m shares, but two new listings accounted for more than 55m of this total. Delifrance Asia, which made its debut yesterday, and Labroy Marine, which listed on Friday, both soared above their issue prices, Delifrance at 97 cents, up from its IPO price of 78, and Labroy, topping the active stocks list, up 12 cents at 95 cents in 30.8m shares.

JAKARTA moved higher helped by active buying of Sampoerna, the cigarette maker. The JKSE composite added 2.27 to 572.47.

Sampoerna gained Rp1,450 to Rp20,350 on hopes that group plans to take a larger shareholding in Astra International had been shelved. A shareholder meeting called for next month was cancelled at the weekend.

The market reacted badly to Sampoerna's recent announcement of a 2.85 per cent stake in Astra, a motor group, and talk that the cigarette maker may want to buy further shares.

Astra was also actively traded following reports that a group linked to President Suharto was to take a stake in the company. Astra ended unchanged at Rp4,000 on volume of 1.5m shares.

SEOUL saw afternoon institutional selling which wiped out most of its early gains and the composite index ended just 1.44 higher at 832.62, after 844.51.

The strong mood early in the day was attributed to the launch of a new employee savings programme with tax benefits for those willing to invest in the stock market.

Hyundai Securities gained Won1,000 to its daily limit of Won17,700 on a newspaper report that the government was considering allowing Hyundai Group to take a controlling stake in Citizens Investment Trust Management Co.

Kyongnam Bank fell Won200 to Won10,300 on the bank's announcement of a loan fraud. The bank said on Saturday that documents submitted by 14 companies to which it had extended Won10.7bn in loans had proved to be fraudulent.

BANGKOK continued to move for the fourth successive session, but only just. The SET index, battered by profit-taking throughout the session, ended 0.43 higher at 948.52. Turnover was thin and trading was narrow as investors watched for the release of third-quarter results from financial companies.

S Africa remains quiet

Shares in Johannesburg traded quietly *ahead of tomorrow's inflation data for September.*

The overall index added 7.7 to 7,011.5, industrials improved 4.5 to 8,262.9 and golds hardened 7.8 to 1,676.2.

Dealers said that activity was modest, with most investors content to sit on *the sidelines ahead of the CPI number.*

Golds provided some of the best features, recovering from early losses as the bullion price clawed above $380. Dries gained R1 to R54.75 and Freegold added 50 cents to R41.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1996	Start of 1996	Start of 1996
Austria	+1.20	+3.51	+15.98	+11.71	+1.13	+3.64
Belgium	+1.27	+1.45	+23.34	+12.17	+1.32	+3.83
Denmark	+1.42	+5.05	+26.40	+23.04	+12.59	+15.38
Finland	+3.86	+8.55	-5.35	+25.30	+15.09	+17.98
France	+2.01	+4.99	+24.59	+19.51	+9.40	+12.11
Germany	+1.60	+3.27	+22.21	+18.71	+7.45	+10.12
Ireland	+1.68	+4.49	+25.05	+20.83	+17.75	+20.67
Italy	+1.64	+4.52	+3.04	+1.96	+2.76	+5.33
Netherlands	+1.71	+5.72	+32.36	+23.14	+11.27	+14.04
Norway	+0.32	+4.57	+14.15	+17.61	+11.04	+13.80
Spain	+2.60	+6.42	+31.30	+20.06	+9.53	+12.26
Sweden	+1.99	+6.41	+21.24	+27.25	+23.99	+27.07
Switzerland	+0.08	+3.15	+21.35	+14.64	+1.12	+3.63
UK	+0.48	+1.77	+12.56	+9.78	+9.78	+12.51
EUROPE	+1.15	+3.46	+18.50	+14.90	+8.73	+11.43
Australia	+0.68	+5.27	+10.04	+5.19	+9.75	+12.48
Hong Kong	+1.58	+6.41	+21.59	+21.07	+18.14	+21.07
Japan	+2.81	+1.77	+13.33	+2.20	-8.63	-6.36
Malaysia	+2.48	+3.23	+24.32	+18.64	+17.23	+20.13
New Zealand	+5.13	+5.57	+5.64	+8.05	+13.88	+16.71
Singapore	+0.47	-6.65	+1.53	-7.26	-9.54	-7.29
Canada	+0.58	+3.72	+25.04	+18.09	+16.49	+19.38
USA	+1.38	+3.37	+20.22	+15.17	+12.38	+15.17
Mexico	-0.82	-0.12	+41.26	+19.32	+16.19	+19.07
South Africa	-1.37	-0.03	+17.32	+12.42	-12.19	-10.01
WORLD INDEX	+1.58	+3.01	+18.15	+11.98	+8.18	+8.81

† Based on October 18th 1996.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY OCTOBER 18 1996 US Dollar Index	Day's change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY OCTOBER 17 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (78)	213.74	0.3	199.16	152.10	171.46	178.73	-0.1	4.26	213.05	199.09	151.05	170.99	178.90	214.20	179.77	184.25
Austria (24)	180.88	0.3	168.55	128.71	145.10	144.99	0.3	1.94	180.24	168.43	127.79	144.65	144.55	195.04	168.36	169.05
Belgium (27)	217.16	0.3	202.35	154.53	174.20	170.27	0.3	3.92	216.54	202.35	153.52	173.78	169.78	221.99	191.12	191.12
Brazil (28)	188.10	0.1	175.27	133.85	150.89	354.79	0.1	1.80	188.00	175.68	133.29	150.88	354.56	189.70	123.97	150.57
Canada (116)	177.21	0.8	165.13	126.11	142.16	173.12	0.5	2.06	175.83	164.31	124.66	141.11	172.24	177.21	134.14	142.86
Denmark (30)	333.19	0.7	310.47	237.10	267.28	267.80	0.8	1.72	331.03	309.34	234.69	265.67	266.30	333.61	276.89	281.84
Finland (23)	220.65	1.5	205.60	157.01	177.00	213.61	1.6	2.34	217.39	203.14	154.12	174.46	210.29	250.72	171.73	250.72
France (93)	201.14	0.9	187.43	143.13	161.35	164.48	0.8	2.96	199.33	186.26	141.32	159.97	163.10	201.14	167.70	168.68
Germany (58)	180.25	0.6	167.96	128.27	144.60	144.60	0.6	1.71	179.12	167.38	126.99	143.75	143.75	180.37	155.66	159.88
Hong Kong (59)	469.39	0.6	437.38	334.02	376.54	465.96	0.6	3.28	466.64	436.06	330.84	374.50	463.24	470.59	354.87	386.06
Indonesia (27)	203.91	0.6	190.00	145.10	163.57	290.65	0.6	1.73	202.77	189.48	143.76	162.73	289.02	-	-	-
Ireland (16)	308.33	0.9	287.30	219.40	247.33	271.40	0.7	3.31	305.64	285.61	216.69	245.29	269.55	308.44	241.27	247.21
Italy (58)	77.63	1.4	72.34	55.24	62.27	89.04	1.1	2.31	76.53	71.52	54.26	61.42	88.07	84.53	67.22	72.14
Japan (480)	145.08	0.4	135.18	103.24	116.38	103.24	0.7	0.74	144.56	135.09	102.49	116.02	102.49	164.68	137.75	143.06
Malaysia (107)	582.81	0.9	543.07	414.73	467.52	562.84	1.0	1.17	577.33	539.50	409.32	463.34	557.12	585.09	425.77	465.50
Mexico (27)	1233.35	1.8	1149.23	877.65	989.37	10411.58	1.1	1.32	1211.18	1131.81	858.70	972.03	10302.59	1325.65	791.99	1000.65
Netherland (19)	311.00	0.8	289.79	221.31	249.48	245.72	0.8	3.00	308.55	288.33	218.76	247.63	243.84	311.00	251.81	256.19
New Zealand (15)	92.97	1.4	86.63	66.16	74.58	69.90	0.8	3.92	91.64	85.64	64.97	73.55	69.48	92.97	75.94	81.97
Norway (35)	263.20	-0.3	245.25	187.29	211.13	233.26	-0.5	2.18	263.96	246.66	187.14	211.84	234.40	265.73	222.24	240.50
Philippines (22)	196.37	1.4	182.98	139.74	157.52	257.08	1.4	0.63	193.76	181.06	137.37	155.50	253.67	-	-	-
Singapore (43)	377.53	0.0	351.78	268.65	302.85	246.16	0.1	1.13	377.56	352.82	267.68	303.01	245.99	465.21	361.94	369.13
South Africa (44)	346.76	-0.4	323.11	246.76	278.17	345.16	-0.2	2.22	348.12	325.31	246.81	279.38	345.86	437.78	314.20	368.62
Spain (37)	185.44	0.9	172.79	131.96	148.75	182.29	0.7	3.22	183.80	171.75	130.31	147.51	181.06	185.44	145.15	148.93
Sweden (48)	396.56	1.6	369.52	282.19	318.12	389.63	1.3	2.20	390.24	364.67	276.67	313.18	384.62	396.56	294.19	316.82
Switzerland (37)	244.55	-0.1	227.87	174.02	196.18	192.99	0.2	1.53	244.72	228.69	173.50	196.40	192.50	254.34	219.07	221.90
Thailand (45)	118.04	2.3	109.99	83.99	94.69	116.79	2.3	2.94	115.41	107.85	81.82	92.62	114.17	193.85	112.17	165.36
United Kingdom (213)	259.37	0.5	241.68	184.57	208.06	241.68	0.2	3.90	258.03	241.13	182.94	207.08	241.13	259.37	222.29	227.31
USA (623)	289.37	0.5	269.64	205.92	232.13	289.37	0.5	2.06	287.94	269.07	204.14	231.09	287.94	289.37	236.38	240.71
Americas (794)	264.65	0.5	246.60	188.32	212.30	222.45	0.5	2.05	263.28	246.03	186.66	211.29	221.35	264.65	215.17	219.70
Europe (718)	223.82	0.7	208.56	159.27	179.55	195.21	0.5	2.94	222.38	207.81	157.66	178.47	194.20	223.82	191.44	194.77
Nordic (136)	337.46	1.3	314.44	240.13	270.70	292.32	1.0	2.14	333.26	311.42	236.27	267.45	289.31	337.46	261.13	290.62
Pacific Basin (876)	160.62	0.4	149.67	114.30	128.85	115.59	0.7	1.21	159.96	149.48	113.41	128.37	114.81	177.01	148.86	154.02
Euro-Pacific (1594)	186.83	0.5	174.09	132.95	149.87	145.61	0.6	2.07	185.84	173.66	131.76	149.15	144.75	190.57	166.51	170.90
North America (739)	282.57	0.5	263.30	201.08	226.67	281.67	0.5	2.06	281.13	262.71	199.32	225.62	280.27	282.57	230.17	234.66
Europe Ex. UK (505)	199.95	0.7	186.32	142.29	160.40	169.01	0.7	2.37	198.51	185.50	140.74	159.31	166.86	200.25	170.51	173.26
Pacific Ex. Japan (396)	299.03	0.6	278.64	212.79	239.88	257.67	0.5	2.88	297.19	277.71	210.70	238.51	256.38	299.03	243.59	257.36
World Ex. US (1809)	188.69	0.5	175.82	134.27	151.36	150.61	0.6	2.07	187.69	175.39	133.07	150.63	149.74	191.55	167.36	172.03
World Ex. UK (2219)	216.41	0.5	201.65	154.00	173.60	185.40	0.6	1.87	215.30	201.19	152.64	172.79	184.33	216.41	185.61	189.79
World Ex. Japan (1952)	260.22	0.6	242.47	185.17	208.75	246.19	0.5	2.40	258.78	241.82	183.47	207.68	244.97	260.22	217.26	220.96
The World Index (2432)	220.11	0.5	205.10	156.63	176.57	190.50	0.5	2.06	218.98	204.63	155.25	175.74	189.47	220.11	188.67	193.06

CONSTITUENT CHANGE 21/10/96: Name change: Mallinckrodt Group To Mallinckrodt (USA). Latest prices were unavailable for this edition.